

FAR EASTERN ECONOMIC REVIEW

FINANCE, TRADE & INDUSTRY

Vol. I.

Hongkong, December 25th, 1946.

No. 11.

CONTENTS:

Progress of Hongkong
Agitation against Hongkong and Macao
Monopoly and Civil War in China
Depression in China
UNRRA and China
International Monetary Fund
Stock & Share Business
Financial Notes
Exchange Markets
China and the Western World
The Expected Shanghai Crash

Hongkong's Principal Trading Partners
China's Silk Industry
Business License Tax in Shanghai
China Light & Power Co., Ltd.
Indo-China Steam Navigation Co., Ltd.
Hongkong Shipping Returns

December Supplement:

Inflation in China by E. Kann
Treaty of Friendship, Commerce & Navigation
between the U.S.A. and China

FAR EASTERN ECONOMIC REVIEW

FINANCE, TRADE & INDUSTRY

Vol. I.

Hongkong, December 25th, 1946.

No. 11.

Notes of the Week

Progress of Hongkong

Hongkong's fast rehabilitation and all-round progress during the past twelve months have been remarkable. The community enjoys a high degree of stability, security and prosperity unequalled elsewhere in the Far East. Hongkong Government have every reason to be satisfied with the state of affairs achieved so far. To take a sanguine view of developments during 1947 is justified and it requires no prescience to see considerable advance in the commerce of the Colony for the next twelve months.

The wealth of the community is real; the enormous display of goods of every variety in the shops, the well-stocked warehouses and the rather conspicuous prosperity of the people are encouraging signs of the better times we are justifiably anticipating.

The year 1947 will bring the solution of most problems of the Colony. We shall have, first of all, to balance our budget. The current financial year, ending March 31, 1947, covering a period of 11 months, provides for HK\$167 million expenditures of which 90 million represent recurrent expenditure. The revenue was estimated at over \$51 million so that a deficit on Ordinary Budget of \$38½ million would result. These figures appear very large, particularly if compared to 1937 figures (Revenue \$33, Expenditure \$32, Surplus \$1 million) but considering the depreciation of money and the increased responsibilities of Government the 1946/47 Budget cannot be regarded as excessive. The problem of Government is the opening up of sources for increased revenue. It appears not difficult at all to raise by enhancement of existing taxes and introduction of new forms of taxation a large amount in order to achieve some semblance of a balanced budget. The Taxation Committee is at present considering the question of Income Tax, a very controversial subject in Hongkong. Duties on Liquor and tobacco were recently increased and a new tax on consumption in restaurants has been introduced. The revenue to be derived from the Stamp Duty in respect of real estate increase of value, the expected resumption of Stock Exchange trading with subsequent revenue for Government from share transactions and transfer deeds, regularly increasing revenue from port and harbour dues, railway receipts, postage stamps and message fees, estate duties, are items to be calculated with optimism; land sales are expected to bring in considerable revenue for Hongkong's Treasury, assessment and land

taxes will probably yield higher amounts than was previously estimated. Suggestions by Unofficial Members of the Legislative Council for introduction of a sale tax on selected articles and a tax on mortgage interest are studied by the Taxation Committee. The issue of a new Government Loan is also under consideration; Hongkong's public debt amounts only to 2 issues, the 4% Conversion Loan of 1933 amounting to \$4,838,000, and the 3½% Loan of 1934, amounting to \$14 million, redeemable by drawings as from 1935 in 25 annual rates of 1/25th of the issue. A third loan could be easily absorbed by the local market and one can predict that it would be oversubscribed by a public which is eager to invest in safe interest-bearing bonds. The stability of the Hongkong dollar has brought into the Colony very large funds of idle money which only wait for opportunities of investment.

Prerequisites for the development of Hongkong as a centre of trade and finance are the gradual lifting of the Moratorium, establishment of a free foreign exchange market, importation of industrial raw materials in adequate amounts, construction of a modern airfield, construction of more and better harbour facilities, building and reconstruction of houses and factories. The anomalous and unsatisfactory condition of housing is partly due to the continuation of requisitioned properties which the military authorities are reluctant to release. The construction of a new civil airport has been agreed upon by all official and private quarters here and in London; the start of airfield construction is therefore most eagerly expected. Hongkong could be developed into an important manufacturing centre in the Far East if industrial raw materials could be shipped here with more speed, and reconstruction of prewar factories and erection of new industries be encouraged by Government, the banks and all sectors of the community. Hongkong may eventually export large quantities of locally manufactured goods to all Far Eastern countries; as a fortunate member of the British Empire the Colony's products will also be bought by all Empire countries.

Judicious control of immigration is necessary if the comparative high level of the local standard is to be maintained and improved. The civil war conditions and economic distress in China will inevitably tend to draw a large number of people to the Colony and while some of these Chinese refugees may be regarded as an asset to Hongkong the majority will only form a burden which would reduce local progress to a tedious tempo.

Many ambitious plans for enhancement of life and prosperity of Hongkong have been advanced during the past months: construction of a modern residential area on the Island, development of a health and holiday resort, building of a Municipal theatre, concert hall, library, art gallery, modern colleges, etc.

The realisation of a self-governing Municipal Council of Hongkong together with a reform in local Government, particularly the reconstruction of the Legislative Council, can be expected during the first half of 1947. Democracy in Hongkong, although rather imperfect in its initial stage, will lead to a feeling of solidarity amongst the citizens of Hongkong.

Agitation Against Hongkong and Macao

A spokesman of the Foreign Office of the Chinese Government explained recently that nothing is known in Nanking about alleged demands by some junior officials and Provincial delegates in Kwangtung regarding a desired change of the status of Hongkong and Macao. If some officials in Canton were stirring up feelings against the British and Portuguese Colonies, the spokesman stated, these people were acting without knowledge of the National Government and their campaign was officially frowned upon and regarded as very embarrassing for Nanking.

The fact, however, cannot be denied that agitators in Canton have, since about middle of this year, organised allegedly patriotic groups with the support of officials of Canton City Kuomintang and leading officials of the Kwangtung Provincial Council with the professed aim of incorporating the two Colonies into Kwangtung. While officially nothing is known in London and Nanking, the vernacular press has been very articulate about what is termed the "fate" of Hongkong and Macao.

Rumblings from Canton and antics of irascible orators in smaller cities, like Shumchun on the border of the Colony, have reminded the public that there is brewing a campaign against Hongkong and Macao. The sagacious Hongkong Government has managed to ignore all provocations; and since the "National Times" incident there have been several more incidents which have tried patience rather hard. At an omnium gathering in Canton, middle of November, following the peanut hawker incident in Yaumati (which led to a rumpus in the streets encouraged by professional agitators), six organisations (Canton Labour Union, Chamber of Commerce, Engineers' Guild, Bar Association, Marines' Society, Citizens' Rights Club) adopted 13 resolu-

Depression in China

American View of General Conditions in China Today

(Compiled by the McGraw-Hill World News Service,
China Head-Office, Shanghai)

Failure of American mediation and worsening economic conditions bring China and the United States to a day of economic decision. The verdicts and their implementation will determine the pattern of business in China for the next two decades. Upon them depends whether China will become a major factor in international commerce.

The U.S. long has subscribed to the great aim of creating an economically strong and united China. On its part the Chinese government has given lip service to this goal, while in reality it has completed the wrecking of its war shattered economy. What assets China possessed at war's end have been thrown away in civil strife. Along with her blue chips, China has given up the opportunity offered by the West to become a dominant industrial power in the Far East.

tions which inter alia called for: boycott the Colony, refuse to discharge cargo from ships arriving from Hongkong, organise "investigators" against Hongkong, request Chinese technicians and workmen to leave Hongkong, organise an anti-British campaign through press, radio, "medicine peddlers", put pressure on Chinese "who have no national consciousness", request overseas Chinese to stop remitting money to Hongkong, "watch and check Macao's assistance to Hongkong", etc. Resolution No. 5 provided: "Solicit monies from different organisations for helping the cause". Although this point is redolent of a desire for personal enrichment of the agitators and much of the excitement is entirely artificial, the deep under-current of national emotions cannot be overlooked. Political sentimentalists have joined the ranks of the professional agitators and foster a Chinese Irredenta which speaks of national self-assertion, glory and a powerful, mighty State. The elements of chauvinism are clearly discernible in the declarations of many of the public speakers in Canton.

That Britain plays only a "face" gambit in meeting the recurrent provocations from such organisations as are responsible for a "boycott committee" in Canton or the erection of a monument with anti-British slogans for an accidentally shot Chinese outside Shumchun, has so far escaped the attention of the wire-pullers.

All local residents are anxious to establish friendly relations with neighbouring Kwangtung and to avoid "incidents". However, agents provocateurs led by the irredentists, in spite of Chinese Government disapproval, can be relied upon to create incidents in order to kindle the flames of racial intolerance and misunderstanding. Much calumny has been heaped during the past months on the British authorities and Hongkong Government by a number of public speakers at gatherings in Canton as well as by several important newspapers (not to mention the mosquito variety). Appeasement or possibly other considerations have so far occasioned that Macao and Hongkong are still shy to call a spade a spade.

Depression and Pessimism

Under the impact of inflation, speculation, corruption, bad administration and government entry into any profitable business, the Chinese enthusiasm and hope of September 1945 have given way to utmost depression and pessimism. Bankers and businessmen have abandoned their plans for industrial development and expansion; many are battling to keep solvent. These conditions, plus an unreasonable flaunting of the new-found national sovereignty and status as a member of the Big Five, have driven away foreign capital as well. Only an abrupt reversal can save China from a minor role in the Far East behind India, Japan, Soviet Asia and the Philippines.

China's economic power only exists as a potential. Without an economy creating wealth and purchasing power, the great China market is a semi-myth. On the other hand, an economic revolution would mean big business for years to come in terms of finance, equipment, raw materials and technical know-how.

China's 5 Year Plan

Modest though it is, the five year program recently proposed by the defunct Central Planning Board of the Supreme National Defense Council calls for expenditures of US\$1,000,000,000, half at home in local currency and half abroad. It requires the mobilization of 4,500,000 workers and 500,000 technicians and managers. When completed China would have a plant only five percent as big as that of the U.S. The question mark is how and under what conditions China will get the project or a revision under way.

Neither Chinese nor foreigner nor government will finance new industrial enterprises under present conditions. High labor costs, inflation and speculation eliminate profit possibilities. Lack of fixed demarcation of government business enterprises poses a continual threat to private development. Yet to carry out any program China must mobilize all her private and public resources and must attract every possible assistance abroad.

Industrial Backwardness

Except for North China and Manchuria, the physical plant taken over by China is woefully small. There are no facilities for making even small die castings in Shanghai; there isn't an automatic screw machine or countless other tools that are the basis of modern industrial societies. Even the Japanese built industries of the Northeast are in bad shape. These were equipped with second class inefficient machinery in the beginning and were heavily worked during the war. China begins industrial development from the ground.

Financial Tangle

In the field of finance, China can muster from private and government sources about US\$1,500,000,000 in ready cash (foreign exchange, gold bullion,

stock holdings abroad). Out of this must come China's contribution to the World Bank. There is probably an additional US\$500,000,000 to US\$700,000,000 tied up in commodities. Unfortunately this is frozen since it can be turned into cash (unstable Chinese currency, only at a slow rate.

Government income can not contribute to China's rehabilitation for several years. National expenditures exceed total income by US\$50,000,000 to US\$70,000,000 per month and taxes by about US\$150,000,000 per month. Despite huge profits and income from sale of gold, foreign exchange and alien property and from government operated companies like the China Textile Development Company, the printing press pours about \$160,000,000,000 of new Chinese currency into the circuit every month.

Cutting of expenses on any scale is impossible for at least two years. Roughly 75 percent of all payments from the national treasury are made to the military machine. Even if it were started today, demobilization is scheduled to take 18 to 24 months. Since many of the leading powers in the government are bent upon military eradication of the Communists (this is at least as important to them as defeating Japan), demobilization will remain in the plan file for many more months.

Bigger Inflation

Increasing income, the alternative, appears impossible. As stocks of gold, alien property and foreign exchange dwindle, revenues also must decrease. Reliance on the printing press as a budget balancer will continue, but on a bigger scale than before.

Thus, real currency stabilization is further away than ever. Stabilization is impossible until expenditures and income are balanced or until a fixed national income is reached that will service loans to cover deficit spending. Government finance not only can't contribute to economic development but, because of its definite inflationary aspects, seriously brakes mobilization of other capital.

Technical Position

China can furnish the necessary unskilled labor, but does not have near enough technicians and managers to carry out any five-year plan. At most 150,000 of the required 500,000 are available. Management personnel and foremen make up the greatest shortage. Old Chinese methods, steeped in nepotism, personal connections and squeeze, are inconsistent with the demands of modern industrial administration. National Resources Commission Chairman C. C. Chien states, "if our industrial reconstruction should fail, it would be on account of management." He recommends sending more Chinese abroad for training and inviting foreign experts to fill the great gaps.

Actually many western experts did visit China in the past 20 years and helped plan for China's reconstruction. However, their works are beautifully bound, neatly filed plans, which are shown to any inquisitive visitor. There is nothing else to show for their labors. It becomes essential that future experts be given authority to execute as well as plan. Industrial development is of more import to China than the luxury of national pride.

War in China

The over-riding decision for China is the civil war. It is the fertile soil that has given root to the inflation, the speculation and the politically inspired labor situation. So far every economic move of the national government has been directed solely to keeping the ship of state afloat. These moves have seriously handicapped every enterprise except those controlled by the state or allied by family to high government officials. In the first category are the China Textile Development Corporation, the Central Trust of China and the Universal Trading Corporation. In the latter group are T. L. Soong's Fu Chung Corporation, the Yangtze Development Corporation and the China Merchants Steam Navigation Company.

If the civil war is continued, there is no prospect for development in China. Government expenditures will rise, inflation will increase, speculation will continue and political strife will widen as economic stagnation grips more and more of the country. Order under these circumstances can be maintained only by keeping China an armed camp with Kuomintang troops spread throughout the land, parasitically consuming more and more of China's wealth.

Demobilization of Army

A prolonged period of peace would create the only atmosphere in which righting China's basic ills can be accomplished. Demobilization of the army to 500,000 well equipped, trained and paid troops could cut government expenditures in half. The Government then could stabilize the currency, eliminate speculation and give impetus to the economic revolution.

Permanent peace, of course, can result only from such a revolution. As long as China's economy is in its current medieval state, any new idea or party can attract countless supporters by promising a bigger share of the land's produce.

Lacking peace and economic development, China can hope for only a minor role in world trade and in the family of nations. Her seat among the Big Five will be taken over by any of several more productive, thus more powerful countries.

Small Trade

Present trade figures outwardly belie this. Careful study, however, backs up the premise that China is well on the road to unimportance in world trade. Imports for the first nine months of 1946 of US\$448,600,000 were greater than those of any year since 1930. The U.S. share of US\$256,500,000 or 57 percent is double what the U.S. has sold in China in 20 years. Furthermore, products made in U.S.A. rank first in all but four of the 32 import classifications of the Chinese Maritime Customs.

However, payment for US\$350,000,000 of the imports was made out of dollar balances built up during the war years. Exports paid for less than one-third of the imports. At the present rate of use, dollar balances will be exhausted by late 1947 and future imports can only be paid for from returns from exports.

Now, exports are at their lowest level. This table shows the export position as compared with the years immediately prior to the Asiatic war:

Commodity	Unit	1936-37	1946 Estimate
		Average	(World News)
Tung Oil	lb.	209,100,000	45,000,000
Tungsten Ore	ton	11,370	4,700
Eggs (frozen, dry)	lb.	139,000,000	65,000
Raw Silk	lb.	8,560,000	2,250,000
Tin (ingots, slabs)	lb.	26,825,000	0
Raw Cotton	lb.	82,715,000	8,000
Tea	lb.	85,910,000	7,500,000
Bristles	lb.	10,260,000	9,000,000
Wool	lb.	33,610,000	3,000,000
Peanut Oil	lb.	91,440,000	100,000
Hides, skins	US\$	11,431,000	10,000,000
Embroidery, laces	US\$	9,275,000	4,000,000
Medicinal Plants	US\$	3,200,000	7,700,000

Unimportant Exports

Producing facilities have been damaged during the war and transportation is now disrupted so that a modest revival of exports will take at least two years, under the most favorable conditions that the government can provide. As an example, China's biggest pre-war export, tung oil, will not get above 65,000,000 pounds until at least 1949. Tung trees were cut for firewood during the war and old trees were not replaced with new plantings because the fighting had cut off markets. Estimates of the China Vegetable Oil Company place production at 100,000,000 pounds annually for 1947 and 1948, of which domestic buyers will take 35,000,000 pounds. If transportation is not restored from Szechuan to Shanghai, much less will be available for export.

Abnormal production costs eliminate hope for revival of the egg business. The same factors handicap silk, especially in view of the fast revival of the Japanese industry, which SCAP officials predict will have a world monopoly by 1951.

Even a recovery of exports to pre-war levels will not bring China up among the great trading nations of the world. During the 1930's, China handled about 1.2 percent of international commerce and ranked about twentieth among all nations. Since the U.S. and Great Britain are anticipating a period of great world trade, China must have a great economic development if she is to be at all important.

Stock & Share Business

The market was again very quiet but on the whole a little steadier than during the past week, and except in one or two instances rates were fairly well maintained. Lands which were done at \$78 weakened to 73 at which rate buyers came in and took what shares there were offering. Wharf after touching \$125 rose to 135 at which rate business was done but further small sellers appeared which put the rate back to 130.

China Lights firmed up from \$8½ to 9½ with small business done at intervening rates, and Electrics after touching \$29 improved to \$30, and Telephones from 30 to 30½. Banks and Insurances were done in small lots at quoted rates. Hotels 15/15½ and Providents 11½/11½, Watsons 20½, Humphreys 17½, and Dairy Farms continued in demand.

At the close there was more enquiry for all shares with only little scrip offering.

Financial Notes

Visit of Mr. Tsuyee Pei

The Governor of Central Bank of China, Mr. Tsuyee Pei, with the National Government's Financial Adviser, Mr. Cyril Rogers, and a party of 14 bankers and secretaries arrived in the Colony on December 21. Conferences will be held with officials of the Hongkong Government and Chinese bankers. The questions of establishment of a market for CN\$/HK\$ exchange, control of Chinese financial institutions in Hongkong, flight of capital from Shanghai, remittances of overseas Chinese, smuggling of goods into and out of China, possible effects of recently promulgated import control of China (import licensing and quotas), and other problems will be discussed. Mr. Pei's visit has been overdue; he was expected here since about 20th November.

Mr. J. T. S. Reed

The National City Bank of New York has appointed Mr. J. T. S. Reed, manager of the Shanghai branch of the Bank, as resident Vice-President in charge of the Bank's Far Eastern business in all of China and Hongkong.

Mr. E. Kann

A critical investigation dealing with "Inflation in China" written by Mr. E. Kann appears in the Supplement to this journal (Vol. I, No. 12). Mr. E. Kann will contribute other studies on financial and economic problems of China which we shall present to our readers in the Far East, Europe and America.

Exchange Markets

Hongkong

The Chinese dollar suffered another decline during the week under review (Dec. 16-21); opening at HK\$91½ for CN\$100,000 spot, and HK\$67 for futures, it came down on Dec. 20 to \$55 for futures, and Dec. 18 to \$82 for spot. The week closed at HK\$83 for spot with no forward rate established.

Gold and US\$ were firm and demand was brisk. The T.T. NNew York rate moved around HK\$5 while drafts held locally sold between HK\$4.85 to 4.95.

Shanghai

The progressive depreciation of CN\$ has been accentuated by increasing demand for US\$ and gold bars. US\$ appreciated during last week by over 20%, gold went up by 18%. The unofficial US\$ price is now almost 120% higher than the official rate quoted by Central Bank of China. The spokesmen of the Chinese Ministry of Finance, Central Bank of China etc. had previously declared that no devaluation of CN\$ is contemplated and that the introduction of a new currency is nothing but a rumour inspired by "undesirable elements". Measures, on paper, were undertaken to curb speculation in US\$ and gold, and Exchange Shops were "warned". However, the public appears not to have reposed much faith in official statements and prefers to purchase US\$ and gold as a hedge against inflation.

The gold cross rate stood by the end of last week at US\$51 per troy oz., compared to a Hongkong gold cross rate of US\$52-52½.

Companies Ordinance of 1932

Hongkong Government has given permission to reprint the Companies Ordinance (No. 39) of 1932. Ye Olde Printerie, Ltd., China Building, have undertaken this important job which will be of interest to all local public and private companies.

Applications for advance orders should be sent to the Manager, Ye Olde Printerie, China Building, Hongkong.

Monopoly and Civil War in China

By CHEN HAN-SENG

Mr. Chen was formerly Professor of History at the National University of Peking and recently Walker-Ames Professor at the University of Washington. He is the author of *Landlord and Peasant in China and Industrial Capital and Chinese Peasants*. During the war Mr. Chen worked in India with the British Ministry of Information. This report was compiled for, and published by, Far Eastern Survey of the American Council of Institute of Pacific Relations, Inc.

Although government monopoly in China has materially altered, it cannot be compared with modern state capitalism. It is far more commercial than industrial in nature, and is concentrated in the hands of highly placed military and civil bureaucrats, politicians, and provincial warlords. They rely on political dictatorship at home and foreign support for existence, stifling free economic growth in China.

From the tenth to the sixth century B.C., when the pattern of Chinese society was very different from what it is 40-day, the aristocrats in the walled cities organized and maintained a kind of government monopoly in the form of handicraft manufacture of certain utensils. Products were, however, for the exclusive use of the aristocrats; plebeians, allowed to live only in rural places, were forbidden to use them. As these products were directly distributed by the government, the phenomenon of profit was totally absent.

Later, from the second century B.C., with the beginning of a long epoch of imperial dynasties, salt and iron were produced and sold by government monopoly. But even these government monopolies were not primarily for business profit. The object was to meet the needs of the state treasury, and therefore the prices of salt and iron did not go beyond the treasury's demand.

From the middle of the sixteenth century to the beginning of the present century, under the ever increasing influence of external trade and modern money economy,

government monopoly in China tended to be more and more a source of private profit. This was the origin of bureaucratic control. During the Ming and Ching Dynasties there were three Imperial textile factories situated in the silk producing areas at Nanking, Soochow and Hangchow, their function being to supply the government and the Imperial Household with silk fabrics. In the Ming period such establishments were supervised by eunuchs but in the Ching period by the bond servants of the Imperial Household. The salt controllership and the superintendency of every one of these factories were among the most profitable posts in the Empire.

Modern industry as embodied in factories operating with machines was initiated in China by the government. The first steamship built in China in 1868, the first railway built in 1876, the first modern of cotton mill was erected in 1899, the arsenal in Canton was set up in 1887, and the Han-yang Foundry began its work in 1890. All was done by state capital and government management. The top bureaucrats who had much to do with these modern industrial enterprises made private fortunes. Li Hung-chang, Tuan Fang, Chang Chien and Sheng Hsuan-huai were notable examples in this connection. From this time there was a period of revolution, followed by civil wars, when the situation did not alter materially.

Character of Monopoly Changed

Since 1938, however, the character of government monopoly in China has undergone a fundamental change. It is no longer a matter of implementing a policy of modern industrial development, as was the case in 1870-1910. Nor is it primarily for helping government finance 1927-1937, when the opium monopoly and the monopolistic tendency of financing the so-called credit cooperatives by the government bank became vital sources for waging the anti-Communist civil war.

New York Times correspondent Henry R. Lieberman reported on August 15, 1946, from Nanking: "The Chinese State, acting through various public agencies and corporations, has become the country's leading economic entrepreneur and now dominates mining, power, heavy industry, silk, cotton, and sugar production." This does not mean that there is some kind of state capitalism

in China nor that the postwar economic pattern is similar to that in western and central Europe, where there is an apparent trend toward nationalization of key points in the economy. Whereas there is state capitalism in Britain, France, and Czechoslovakia, there is as yet, strictly speaking, no capitalism in China.

"The trend toward state capitalism now appears in Asia for different reasons than in Europe," said Harry F. Ward, professor emeritus of Christian ethics at Union Theological Seminary. He did not indicate that there was already state capitalism in China. For, as he explained, "there it plays a different role because of the feudal and colonial status of the Asiatic people."

Feudalism and capitalism are incompatible, as are state capitalism and colonial status. When capitalism reaches the stage of state monopoly, production becomes largely social, although ownership remains private. State capitalism as now existing in private ownership and centralization of western Europe stands for preservation of control by the State, which is controlled by an economic group.

Government monopoly in China, however, is quite different. It benefits only those bureaucrats who manage the state business, and only preserves private ownership to the extent that the private fortunes of government officials and their families are involved. The control rests exclusively with a few influential government functionaries. Rather than a greater socialization of production, government monopoly here inevitably intensifies the bureaucratization of so-called state owned businesses, scattering and impairing the forces of production.

Whereas state capitalism in the Occident represents the pinnacle of capitalistic economy, government monopoly or state business in China is historically speaking a mere capital accumulation in the hands of high bureaucrats, a process that is still pre-capitalistic. Whatever surplus value is obtained under the Chinese government monopoly, it does not come from regular commodity circulation. On the contrary, excessive profits are derived by purely political pressure. Political dictatorship backs up economic monopoly. A brief review of the state business in China, both during and after the war, illustrates this point.

Examples of Control

Government control of tea marketing has been a typical monopoly by Chinese bureaucracy. In the tea producing region of Anhwei and Kiangsi provinces the wholesale and export tea merchants, the Cha Chuan, used to finance practically all the gathering of tea. But by 1936, when government banks had acquired the sole authority to issue notes and accumulated a huge deposit and when the government had built a highway system in the tea region, high bureaucrats in Nanking decided to create a tea monopoly at the expense of the Cha Chuan. In February of that year, the National Economic Council, a government planning body, proposed a state tea monopoly. In April accordingly, the Anhwei-Kiangsi Joint Tea Marketing Committee was organized by the government. The Cha Chuan vigorously protested against this, threatening to cancel all promissory notes of the previous annual tea collection. But the political pressure was too great, and it had to accept a compromise by which, continuing to handle green tea, it let the government deal in red tea, which is chiefly for export.

The National Economic Council was succeeded by the National Resources Commission which was given the authority to control and manage many important mines and factories in China, including textile mills. Raw cotton was practically monopolized by the government as, in 1943, like rice and wheat, cotton was exacted in payment of land tax in kind. In addition, a definite quota for government purchase of cotton was fixed. The cotton price established by the government was low, often below the total cost of production, and furthermore the price fixing by the government controlling organs was never effected on schedule. The cotton growers could hardly foresee the ceiling price to be set by the government.

The gap between the ceiling price and the black-market price was very wide. In January 1945, in Shensi Province, China's best cotton-producing area, when the official price was Ch.\$13,000 per picul, the black-market price was at least Ch.\$17,500 per picul. In May 1945 the situation became worse. While the ceiling price was Ch.\$33,000, the black-market price was as much as Ch.\$100,000 per picul. The ceiling price barely covered the cost of cotton production exclusive of labor and fertilizers. As a result cotton acreage in Shensi and northern Honan decreased drastically, dropping in many places as much as fifty percent in one year.

Furthermore, the government considered cotton stored up by peasant families as hoarded. As such it was subject to confiscation. In these circumstances, of course, cotton production further declined. The Agricultural Promotion Commission of the Ministry of Agriculture and Forestry planned to extend a considerable loan to cotton peasants in 1945, because by 1944 the so-called Free China had an annual cotton production of only 1,500,000 piculs, or only nine percent of the 1936 total. This did not seem to worry the government, which was apparently more interested in profit than production. In fact, during the three and a half years from 1942 to the middle of 1945, the Chungking government imported so much American and Indian cloth by air, over the Himalayas, that there was, on one hand, an apparent cotton surplus in China and, on the other, the 464,000 spindles then available in the five provinces of Hupeh, Hunan, Kiangsi, Kwangtung, and Shensi had to stand idle most of the time. The government enjoyed a monopoly of cloth transportation, trade and distribution, entirely ignoring cotton production and mill manufacture.

Tendency to Crush Private Business

Throughout the past decade, government monopoly has developed in China under the name of government control. "Government control" has been set up in the name of a socialistic policy of regulating private capital. Although, according to the "General Principles for Economic Reconstruction" adopted at the 148th Meeting of the Supreme Council of National Defense on November 6, 1944, the industrial development of China should be carried out along two lines: by private enterprises and by state enterprises (Article I); and although the same resolution stipulated that private capital may engage in any enterprise other than state monopolies (Article II, Clause 2), the present government monopoly policies in China tend to crush private, individual modern business. There are developing several powerful bureaucratic groups who are profiteering fabulously in the name of government monopoly. They utilize political and military power to fortify and extend their own business interests, are more interested in trade than in industry, and favor arbitrary methods rather than democratic procedure.

Domination of Industry

In addition to maintaining government monopolies of transportation by rail, motor and air, of foreign trade, and foreign exchange, the government began by 1944 to dominate modern production in China. In that year, although private factories numbered 4,764 (90.47 percent) and government factories only 502 (9.53 percent), the total government capital was Ch.\$189,183,000 (38.81 percent) and the total number of workers in government factories was 105,066 (29.21 percent), while the total private capital amounted to Ch.\$298,297,000 (61.19 percent) and the total number of workers in private factories was 254,597 (70.79 percent). Obviously when the government concerns were larger and better capitalized, they were able to outbid private industries.

Furthermore, government concerns have not been confined to heavy industry. Of the 502 government factories in 1944, 167 were small chemical works, 146 were cotton textile mills, and thirteen were engaged in the production of beverages. The distribution of both government and private capital in modern industries in that year, as listed below, shows lack of a clearly defined industrial policy.

Distribution of Industrial Capital in

China, 1944

Categories	Government (percent)	Categories	Private (percent)
Metallurgical	30.99	Chemical	35.03
Chemical	25.01	Textiles	18.63
Machine works	15.42	Machine works	10.24
Textiles	13.36	Beverages	9.85
Electrical		Metallurgical	5.74
apparatus	12.27	Electrical	
Printing and educational apparatus	0.89	apparatus	5.15
Beverages	0.80	Printing and educational apparatus	
Metals	0.72	Other	
Other		industries	4.82
Industries	0.44	Metals	3.76
Clothing	0.10	Clothing	1.64
Total	100.00	Total	100.00

C. Y. W. Meng, in the Kuomintang sponsored publication, *China Monthly*, stated: "China is probably one of the very few countries in the world where controlled economy and free economy are operating side by side with each other to their mutual advantage." He said that "beginning from 1943 currency inflation began to take place, and a large part of our idle capital no longer flowed to the industrial channel but to other illegal commercial activities, such as hoarding and speculation. With the sudden cessation of the war, and as a result of the cancellation of many war contracts, the situation has become much worse than before. Nearly all heavy industries have come to a standstill. Depression is sweeping everywhere, and is playing havoc with us." As monopoly tends to extend its own influence and power, government monopoly of foreign exchange, of transportation and of banking quickly deteriorated into government hoarding, speculation and smuggling. This state of things, which Mr. Meng calls controlled economy, is certainly incompatible with that which he describes as free economy.

Relief Goods Diverted

The leading editorial of the New York Times of August 15, under the title "Chiang Kai-shek's Program," comments that Chiang "calls upon his own Government officials to review their own mistakes and shortcomings, of which, unfortunately, there are only too many in the Chinese bureaucracy." Recently much has been published regarding UNRRA in China. Whereas in the past public bodies in China always administered relief, to-day the Government tends to monopolize it. Monopoly in relief encourages corruption. In many cases relief goods have been turned to private use. This, together with other governmental monopolies in industry, trade, banking and communication, has swelled the ever-expanding pockets of the high bureaucrats.

It may be emphasized that the present large scale government monopoly in industry and trade has been largely accomplished through currency note issue and the control of properties which used to belong to the Japanese and their puppet regimes. In fact this is the crux of the entire government finance. In August 1936 the total note circulation in Nanking government currency was Ch.\$1,400,000,000. It went up to Ch.\$1,000,000,000 by August 1943. In May this year it reached Ch.\$2,200,000,000; but according to Finance Minister Yu's statement at the last session of the People's Political Council, the total circulation will be about Ch.\$1,395,000,000,000 by the end of 1946, or some 995,993 times as much as in 1936. This means that at least 200,000 million dollars worth of bank notes are being issued every month. The total government expenditure for 1945 was about Ch.\$1,000,000 million and the total for this year will most likely be around Ch.\$5,000,000 million. As the total value of the properties in the form of factories, mines, real estate, transport means, and the like, taken over from the Japanese and their puppets, amount to approximately Ch.\$10,000,000 million, the government obviously desires to redeem some of the current notes by selling many of these properties.

* More than half of the funds contributed in America to the United China Relief Fund have passed into the hands of Christian institutions; less than one-third has gone to Christian mission and educational establishments; and less than one-fifth has gone to popularly-organized war relief bodies. At least half of UNRRA's heavy equipment has been sold by the Nanking government to the government-directed CNRRA on advances from the government-controlled Central Bank of China, according to John G. Dowling, China correspondent of the *Chicago Sun*. The other half, as has been admitted by the CNRRA director himself, was sold to "private" or joint government-private interests, many of which carry the names of prominent government officials on their boards of directors.

Inflation alone would have caused, as it did, industrial stagnation, but in reality the sale of property and partial note withdrawal have been very slow. What has already been sold to private concerns is very little in comparison to what has been retained by the government. The major part, perhaps more than seventy percent, is under government monopoly management. Each of the powerful cliques of the government has a share in it.

Cliques Within the Government

First, there is the C. C. Clique, a group composed of Kuomintang party leaders and headed by Chen Li-fu and Chen Kuo-fu, which controls the Farmers' Bank, holding a major share in the credit cooperatives and linked up with seventeen big grain speculators, the Industrial and Mining Bank, which though private in ownership, is managed by political and bureaucratic influences, and the newly established Ching Silk Corporation, which has been taken over from Japanese management in east central China. This corporation engages in the production of silk-worms and operates ten silk filatures and weaving factories, with a total of 2,384 silk filature basins. It dominates the industry in Kiangsu, Chekiang and Anhwei, and twenty-five private groups market silk through the corporation. It can export about 1,000 piculs of silk annually.

The second group is the so-called Political Science Clique. It controls the Kinchen Bank which, though private in ownership, is operated under political and bureaucratic influences; the Ta Kung Pao newspaper corporation, which is heavily subsidized by the government in various indirect ways; and partly the China Marine Products Corporation and the Taiwan Sugar Corporation. The last two mentioned have been taken over recently from the Japanese. The China Marine Products Corporation has over 100 fishing craft, with about ten Diesel engine boats in addition. It also controls seven cold storage plants, one net-making factory, one cannery, one fish oil factory and a small dockyard and repair shop. The main assets of the Taiwan Sugar Corporation in Formosa—where General Chen Yi, a prominent member of the clique, is governor—are forty-two sugar mills which were taken over from the Japanese.

One old financial group under the leadership of H. H. Kung, who was Minister of Finance for seven of the eight years of the Sino-Japanese war, may be considered as the third clique. This group has reportedly been involved in bond and gold speculations, foreign exchange manipulations, and smuggling. More recently it has been reported that his son, David Kung, will be financial backer in organizing a trading corporation to handle Sino-American business transactions.

The fourth is the T. V. Soong group which, as compared with the C. C. and Kung groups, has a strong tendency to develop modern enterprises. It controls the Nanyang Tobacco Corporation, the Kimsan Trading Corporation, the Li Ta Corporation, and most recently the China Textile Reconstruction Corporation. The last now operates fifty-two factories taken over from Japanese management in Shanghai, Tientsin, Tsingtao, and other cities, with a total of 1,760,000 spindles, or about two-fifths of all the spindles in China. In spite of poor management, it makes a net profit of thirty-four percent, equivalent to US\$4,000,000 per month. This can be attributed only to the special privileges enjoyed by the corporation: priorities for raw materials, transport, fuel, and so forth.

The Generalissimo's Group

The fifth group is under the leadership of the Generalissimo. It controls the Ministry of Communications which, at least nominally, operates the national network of railways. It controls the China Merchants Steamship Navigation Company, which is bigger than any private competitor in China. This company operates ships having a total tonnage of about 800,000 gross, mostly taken over from the Japanese. Its 100 vessels range from small river and coastal boats to American Liberty ships. Even bigger ships are now being ordered for the service of this company. Directly under the Generalissimo also is the National Resources Commission, which has flourished during the war period and controls 116 industrial, thirty-seven mining, and thirty-three power projects. About sixty of the factories under the

Commission are in operation. The Commission now produces more than fifty percent of China's iron and steel and all petroleum and non-ferrous metals. It will soon lead also in the chemical industries. Because of this towering development of central government monopoly, the erstwhile provincial monopolies, such as in Shansi under General Yen Hsi-shan, in Kwangsi under Generals Li Tsun-jen and Pai Chung-hsi, and in Yunnan under General Lung Yun, are rapidly disappearing. Big monopoly has swallowed small monopoly, and the abnormal conditions of war have greatly accelerated this process in China.

Monopoly in Textiles

Government monopoly in China stifles free economic development. The textile industry gives sufficient proof of this. Before the war, in 1936, China had 143 cotton textile mills. These modern mills were located largely in the lower Yangtze region. The total of their spindles was 5,647,000. Of these, 3,047,000 spindles were under Chinese ownership and management and 2,600,000 spindles under foreign ownership and management and 2,600,000 spindles under foreign ownership and management. Of the foreign spindles about 1,900,000 were Japanese.

China was practically self-sufficient in cotton production in 1936. The total need of the mills was 11,000,000 piculs of raw cotton and the total Chinese cotton production in that year was at least 16,300,000 piculs. China's cotton import had been greatly reduced after 1931. Whereas in 1931 the total import was 4,700,000 piculs, the total import for 1936 was only 800,000 piculs of the best cotton from abroad. The total Chinese cotton production was approximately doubled between 1931 and 1936. The prospects were so good that it was estimated that by the end of 1937 the total number of spindles in China would reach 6,800,000, equally divided between the foreign and the Chinese.

Even during the war years, in 1939 particularly, there were 1,700,000 spindles in modern mills in the interior provinces which could yield enough yarn for weaving, both by machine and by hand, a total of 40,000,000 pi of cloth, a pi being about forty yards. On the estimate that the population of the interior provinces is about 200,000,000, each person could have had on the average eight yards of cloth per year. In India during the war only five or six yards were figured for the average annual per capita consumption. Eight yards per capita per year for the Chinese would have been quite sufficient. But the government monopoly and control in Chungking gave no chance to encourage either textile manufacture or cotton production. This situation culminated in a cotton "famine," cloth scarcity, and the closing down of many textile mills.

The giant government textile monopoly, the China Textile Reconstruction Corporation, was created from the former Japanese owned and managed mills solely for the purpose of affording financial aid to the government and enriching the bureaucrat-managers connected with it. Its management at present, therefore, is by no means efficient. It has taken over from the Japanese some 1,760,000 spindles, yet so far only 750,000 spindles or forty-two percent are in operation. It produces only 700 bales of twenty counts yarn every day, which represent not more than eighteen percent of the total producing capacity. The quality of production is also poor. Whereas each spindle prior to the war yielded about one pound of yarn per day, the present production per spindle is only four-tenths of a pound. Furthermore, the government corporation deliberately abandoned the production of forty counts yarn for which most of the spindles were fit, and engages instead in making twenty counts and sixteen counts yarns for a temporary profiteering market. Such competition against private mills which can manufacture only sixteen and twenty counts yarn is entirely unjustified, from any sound economic viewpoint.

Bureaucracy Dominates Management

Bureaucracy dominates the entire management of the corporation. The fifty-two factory managers are under the head of the engineering department of the government corporation. Above him are the Vice-Director and Director of the Corporation. Actually all power is centered in the hands of the Director. The fifty-two factory managers have to obey the Corporation Director in all matters pertaining to personnel, machinery, raw materials, budget, and marketing. One man cannot be expected to cope with the diversified business of fifty-two factories with 1,760,000 spindles.

In fact nepotism, corruption, and frequently fatal delays have become all too common. In one of its Shanghai factories the Japanese used to employ thirty-two technicians and five administrators to run 50,000 spindles and 800 looms. Now, under Chinese government management, this same factory employs forty-four administrators and only twenty technicians. This is an increase in the total number employed, but the proportion of technicians has been reversed. Out of its huge profits the Corporation is able to pay higher wages and salaries than the private textile mills. Such competition tends to stifle the development of any free economy.

Even the spokesman of the Political Science Clique has criticized the government monopoly severely, presumably because this group has been permitted only slight participation. An editorial of the Shanghai Ta Kung Pao on May 30, 1946 protested against the present financial and economic policies of the Nanking government. "The government," according to this editorial, "has one consistent policy: namely, to enrich the rich and to impoverish the poor. This policy is based on the theory that it will appeal to the poor as 'regulating the power of capital' so as to prevent the growth of capitalism, and will also appeal to the rich as 'developing national capital' whose real masters are the rich and the bureaucrats."

The entire government monopoly in China is assuming a compradore character. "Compradores" was originally a Portuguese word applied to Eastern Asiatics who acted as agents between the Westerner and the Oriental in trade. Because of the backing of political and military power, the government enjoys all the transport and banking priorities, collecting products at a fixed low price and selling them to the world market at an exorbitant profit. Production is stifled and industry discouraged. The manager of the Wan Tsiang Textile Factory in Shanghai recently declared: "Even if the workers took no wages and ate nothing, even if there were no labor cost involved, factories in China would have to close down."

Government monopoly in China exploits not only the workers but also private entrepreneurs and consumers. Under a military dictatorship, freedom to strike is out of the question. Private enterprises which have no connection with powerful bureaucrats, military or civil, are easily crushed by heavy taxation, and suffer extreme difficulties in transport and marketing. When government hoarding and speculation are strong, not only small and medium merchants go bankrupt, but no consumer can escape paying excessive prices.

Opposing Principles

To-day there are two distinct tendencies of economic development in China. Whereas a pre-socialistic cooperative economy has made its beginning in the Communist-Democrat areas, the strongest and most obvious tendency in the Kuomintang areas is government monopoly of a pre-capitalistic compradore nature, dominated by military dictatorship. Thus, government monopoly, one-party rule, and foreign military and financial aid have virtually become the three principles of the present Nanking government. These principles are just as inseparable as are the Three People's Principles advocated by Sun Yat-sen: nationalism, democracy, and the people's livelihood. The present civil war in China is fundamentally a struggle between two groups each defending its own set of principles.

UNRRA and CHINA

During nine months of 1946 Unrra supplies to China have totalled a value of CN\$293.4 billion. Total imports into China for the same period, January to September 1946, aggregated CN\$997 billion. Unrra supplies amounted to 30% of China's total imports.

Unrra deliveries to Kwangtung during the months October 1945 to October 1946 were: 55,000 long tons of foodstuffs, 1,850 boxcars (or 200 complete trainloads) of various foodstuffs and canned goods. During the same period Unrra foodstuffs shipments to Kwangsi and Hunan totalled 35,000 and 14,000 tons respectively.

Other deliveries included: 18 locomotives, 1,300 wagons, 240,000 sleepers, 45,000 quintals of rails; a 500-bed prefabricated hospital; one 2500 K.W. power plant. Dyke repairs were one of the major field operations of Unrra in Kwangtung.

Following are detailed figures for Unrra deliveries for the months of January to September 1946 which have been recorded by the Chinese Maritime Customs.

Cotton Piece Goods: grey, white, dyed, printed and miscellaneous 12,700,000 metres valued at CN\$6.6 billion.

Raw Cotton: 632,000 quintals valued at CN\$69.3 billion.

Sundry Cotton Manufactures: 4 million kilogs. valued at CN\$6.9 billion.

Gunny Bags, Cordage, Twine & Rope: 60,000 quintals valued at CN\$2.9 billion.

Wool, Blankets, Rugs, woollen clothing: 9.5 million kilogs. valued at 13.5 billion.

Metals and Ores: (mainly rails 300,000 quintals, iron bars 17,900 quintals) 380,000 quintals valued at 5.88 billion.

Machinery & Tools: (mainly 11,800 quintals of prime movers, 40,000 quintals of cigar & cigarette manufacturing plants, 847,000 kgs. of hand tools; dynamos and generators, pumps, knitting machinery, machine shop and other tools) valued at 9 billion.

Vehicles & Vessels: (mainly 2,932 railway and tram carriages, 98,000 quintals of railway materials, 4,266 tractors, trucks and trailers, 12,700 quintal of motorcar parts and accessories, 277,000 quintals of ships materials) valued at 29.4 billion.

Miscellaneous Metal Manufactures: (mainly 1,824,000 kgs. of scientific instruments, 1,485,000 kgs. of accumulators and dry cells, all sort of electrical appliances, telephonic and telegraphic instruments) valued 5.2 billion.

Foodstuffs: (784,000 kgs. condensed milk, 38 million kgs. evaporated milk and milk food, about 36 million kgs. of canned foods, groceries, butter, biscuits, etc.; over 13 million kgs. of flour, 540,000 quintals of rice paddy, over 4 million quintals of wheat and wheat flour, etc.) 114,000 quintals of beans and peas, 4,270 quintals of vegetables, 4,000 quintals of sugar) valued at CN\$120 billion.

Wines, beer, spirits, table waters: CN\$685 million.

Chemicals & Pharmaceuticals: (mainly 50,000 quintals of sulphate of ammonia, 8,500 quintals of carbide of calcium, 79,000 quintal of fertilisers, 12,000 quintals of chemicals, 83,000 quintals of medicines and drugs) valued CN\$10.8 billion.

International Monetary Fund

As from March 1, 1947 the I.M.F. will commence exchange transactions. All 39 members of the I.M.F. will pay their subscriptions by March 1. Par values of members' currencies are expressed in terms of gold ("Common denominator") or in terms of U.S. dollars "as of weight and fineness in effect on July 1, 1944".

Following is the schedule of par values:

Belgian franc: 1,553.96 to troy ounce of fine gold and 43.8275 to the United States dollar;

Canadian dollar: 35 to gold ounce and one to the United States dollar;

French franc: 4,168.74 to gold ounce and 119.106 to the dollar;

Netherlands guilder: 921.9498 to gold ounce and 2.65285 to the dollar;

United Kingdom and South Africa Union pound: 8.68485 to gold ounce and 0.248139 to the dollar;

Indian rupee: 115,798 to gold ounce and 3.30852 to the dollar.

Thirty of the 39 members submitted initial par values at the existing rates of exchange. Eight others were granted more time to determine theirs and one country, Uruguay, has not determined its initial value pending legislative proceedings.

Brazil, China, the Dominican Republic, Greece, Poland, Yugoslavia, France, in respect of French Indo-China, and the Netherlands in respect of the Netherlands Indies, requested more time to determine initial par values.

This is the first time that a large number of nations have submitted their exchange rates to consideration by an international organisation and thus a new phase of international monetary co-operation has begun.

The major significance of the present step is not in the particular rates of exchange which are announced, but in the fact that the participating nations have now fully established a regime wherein they are pledged to promote exchange stability, to make no changes in the par values of their currencies except in accordance with the Fund agreement and to assist each other in attaining the general objectives of the Fund.

The initial par values are, in all cases, those which have been proposed by members, and they are based on existing rates of exchange.

The acceptance of these rates is not to be interpreted as guaranteed by the Fund that all the rates will remain unchanged.

The fund recognises that changes in par values may subsequently become necessary and it is at such times that the fund can be most useful in seeing that the necessary exchange depreciation is avoided.

In the present circumstances, however, such disparities do not have the same significance as in normal times. For practically all countries, exports are being limited mainly by the difficulties of production or transport, and the wide gaps which exist in some countries between the cost of needed imports and the proceeds of exports would not be appreciably narrowed by changes in their currency parities.

In addition, many countries have just begun to recover from the disruption of war and the efforts to restore the productivity of their economies may be expected gradually to bring their cost structures into line with those of other countries.

Furthermore for many countries now concerned with combating inflation, there is a danger that the change in exchange rates would aggravate internal tendencies towards inflation.

Soap, Oils, Fats: (mainly 855,000 litres lubricating oil, 50,000 kgs. codliver oil, 622 tons liquid fuel) valued 871 million.

Boots and Shoes: over 2 million pairs valued at 1.13 billion.

Timber: (mostly 848,000 railway sleepers) valued 8.1 billion.

Building Materials: 73,000 quintals valued 3.7 billion.

Miscellaneous Goods and sundries: valued 3.5 billion.

China and The Western World

By PROF. HENRY P. VAN DUSEN

Professor Van Dusen is the President of Union Theological Seminary, New York. The author contributed largely to the political study of China today originally to "The Spectator", London.

Friends of China in the West are so much accustomed to the cry, "crisis in China," that they tend to think of that condition, like poverty, disease and malnutrition, as endemic in China's life, or at least, like flood, famine and plague, as periodically epidemic. For that reason, they may underestimate the seriousness of the present situation. In the judgement of many "old China hands," that most populous of the world's nations is to-day caught in her gravest strait since the revolution of 1911. China's present crisis is compact of three major factors—economic deterioration, civil strife and political incompetence and corruption. In most respects, the economic position is steadily worsening. The national economy, drained by eight years of conflict and maimed by war's artificial cleavage into "free" and "occupied" areas, has not succeeded in righting itself. The channels of trade have not been reopened. Effective communications have not been re-established. The wheels of an always mesagre industry have not been re-set in motion. The intricate and painful processes of recovery have barely got under way. Meantime, a spiralling inflation strangles initiative, imperils the national currency and further impoverishes already destitute professional classes. According to the most reliable estimates, the cost of living in the cities is rising on an average twenty-five per cent, each month. This situation bears with special gravity upon professors and clergy.

The Communist-Kuomintang struggle holds the focus of world attention. This is merely the re-emergence to public view of a cleavage which has severed China's body for two decades. Common peril from a common foe has effected an armed truce through the war years. Common interest in the face of threatening internal collapse might persuade to a resumption of armed truce. It could lead to reconciliation, mutual trust and continuing peace. Neither party believes these permanently possible. Neither party believes them permanently desirable. The view, until now widely prevalent in the West and to some extent in China herself, that Chinese Communists are to be sharply distinguished as to ends and means from Russian Communists, and that the former might be expected to work in continuing coalition with Chinese of democratic and other allegiances, appears to be rapidly disappearing. While Moscow has given little direct affirmative aid to her political kinsfolk in North China, she has strengthened them mightily by leaving in their hands the major part of the vast military supplies seized from the Japanese.

Moreover, the true character of the Chinese Communists, as to both methods and objectives, has become clearly apparent through their behaviour in the recently occupied areas of North and East China. Out of these territories come authenticated tales of brutality, terrorism and tyranny directly parallel to the familiar day-by-day incidents wherever Russian forces have moved into Eastern Europe. More than that, the Chinese Communists are committed to a single ultimate aim—domination of all China. The Nationalist leaders are alive to the situation. Soon or late, the issue must be fought through to decision; on that point, both sides are agreed.

Behind these problems arising out of the immediate situation lies the age-old scandal of inefficiency and even corruption in Governmental administration. Here two extenuating considerations need to be borne in mind. One is the traditional Chinese attitude toward graft, which differs so markedly from standards of private and public honesty which are espoused in the Western democracies. The other is the inevitable demoralisation of both efficiency and integrity resulting from seven years of bitter suffering and privation, and now aggravated by a vicious inflation. To the best friends of China, this is perhaps the most disturbing fact in a generally dark outlook—the steady decline among all classes of the Chinese people of confidence in the National Government. The greatest obstacles to economic recovery are disruption and sabotage due to Communist activity, and disorganisation and wastage due to maladministration. It is economic weakness and waning public confidence in the Government which render all efforts to deal with the Communist rebellion ineffective.

General Marshall's efforts—and the United States has seldom had a better emissary—have been directed mainly to securing the cessation of fighting in order to provide conditions for economic rehabilitation which, in turn, might offer a hopeful setting for political reorganisation. Logically, that is sound procedure. There are two principal reasons for its failure. Marshall's approach to the Communist-Kuomintang conflict has been premised upon the equality not in strength, but in status, of the contending parties. He has been attempting to mediate between the Communist leaders and the Central Government as one might attempt to reconcile majority and minority political parties. To the Kuomintang spokesmen, this is to ignore the realities of the situation. In their view, the issue is not between majority and minority groups within a united nation, but between the constituted Government of China and those who are in open and armed rebellion against that Government.

No one in China wants war, unless it be small groups of fanatical militarists on both sides. But there are many in China, and not solely militarists or reactionaries, who are reluctantly being driven to the conclusion that continuance of civil conflict is the lesser of two evils. The immediate possibility is not peace but armed truce. Clearly, it is to the Communists' interests to prolong the truce in order to gain time to consolidate their resources, to infiltrate all China, and to gather strength for the deferred but ultimately inevitable struggle to the death. It is by no means so clear that such a specious "peace" which is no more than a temporary truce is in the interest of those who must some day meet the Communist onslaught. Despite China's present weakness and war-weariness, despite the clamant need for economic and political measures which only peace can render possible, may it not be the part of far-visioned statesmanship to face that inescapable issue now before Communist strength can be mobilised at its fullest potential and while the Nationalist forces are still organised and equipped?

What should be the policy of the Western democracies, more particularly Great Britain and the United States, toward China? I suggest these propositions: (1) The controlling objective of British and American foreign policy must be to forestall World War III, a war which looms not merely as a possibility but as a probability. (2) If World War III comes, however it may start, it will become in essence a titanic duel between Soviet Russia with her satellites on the one hand and the United States, the British Commonwealth and their Western European and American associates on the other hand. (3) If World War III comes, it may well break out not in Europe or the Near East, but in Eastern Asia, where Russia and America face one another along a common frontier. Wherever it begins, it is likely to involve the United States most vitally along that frontier. However it originates, the issue of World War III may be determined in Eastern Asia. (4) China in Communist hands would be the most probable, one may almost say certain, prelude to World War III. (5) Therefore, what transpires in China in the immediate future is of more direct and vital consequence to the security of Great Britain and America than what occurs almost anywhere else in the world. (6) Consequently the western democracies, especially the United States, must lend every practicable support to the constituted Government of China.

Would not such a course of action provoke Russia to offensive measures? With a large degree of confidence, the reply can be given in the negative. If there is one point of Soviet foreign policy which appears clear and consistent, it is that Russia has no intention of becoming embroiled with either China or the United States in East Asia in the near future. For the period immediately ahead her energies are wholly occupied with establishing her position in Europe and consolidating her internal strength. This, rather than any deviation in ideology or want of full accord, is the explanation of Russia's failure to lend the Chinese Communists vigorous affirmative support.

The Expected Shanghai Crash

(By a Chinese Correspondent).

The first six months of the year passed without any significance of what will happen in the last six months. Recent developments in Shanghai gave a glimpse of what Shanghai's trade and industry are heading for. Over eighty commercial houses and factories were forced to close their doors.

Reasons for such chaotic conditions are the much inflated currency, high rate of interest, high cost of labour, a variety of taxations, transportation charges, government import control, American commodities flooding the market, and, lastly, the decreasing buying power of the people. On top of it all, the government's abuse of power of taking possession of their requirements at their arbitrary prices. The threatening civil war looms overhead.

The large commercial firms with "connections" and privileges, with facilities and colossal foreign exchange abroad, are helped by high officials to hurdle all red-tapes and insurmountable obstacles which no simple "unconnected" firms would have a chance to get by.

Powerful organisations are flooding the market with smuggled commodities that none of the local factories could ever hope to compete with. For example, —1 box of U.S.A. Matches sells at NC\$50.00 and 1 box of the local product costs NC\$100.00 to produce. With the signing of the Sino-American Treaty, commercial and industrial concerns are edging their way to the brink of the abyss which will open about the end of the year.

The intrigues of the "transitional" period with all high officials concentrating on their foothold in their own party or in government positions are so prevalent and absorbing that no attention was given or plans were made to cope with the precarious situation.

Paper money from the government press has been on the increase and every minute the machine issues 16 million dollars. With a non-stop production of paper money 24 hours daily it only suffices for the civil war expenses.

According to government announcement there have been no new issues put into circulation and government expenditure has been stabilised since August this year; yet in fact the bank-note presses are running on 24 hours service. Before the Sino-Japanese war CN\$ in circulation was only 14 billion and at the close of the Pacific war the circulation increased to 5,000 billion. Four months after the cessation of the war, circulation jumped up to 10,039 billion.

Recognised Banks charge monthly interest from 15-20 per cent on loans, but smaller unrecognised banks which are exceeding the number of legal banks are taking a chance with clients charging much higher interest. These uncontrolled banks indirectly expedite the much inflated CN\$ which lost the confidence of the people.

The 15-20 per cent charges on loans by legal banks are actually fictitious and merchants and industrialists cannot regularly obtain such rates quoted officially so that the smaller banks are doing a flourishing business. Conditions are such that with difficulties of transportation, shortage of raw material and high cost of labour the industry of China is considered at a standstill. There is no possible hope of reviving the pre-war standard until government earnestly settles down to improving the existing conditions.

Economically Shanghai is heading for a crash when the close of the year comes. Insolvencies and liquidation of firms will mark the failure of the government to avert the disaster.

China cannot effect political reconstruction without plentiful aid from the West; that is the fact her friends in the West need to recognise. But assistance from the West, however plentiful, will be finally unavailing unless it is accompanied by drastic, courageous, far-reaching political reform; that is the fact with which leaders of China must come frankly to grips. Over the second of those indispensable conditions Britain and the United States can have little control save through persuasion and pressure. The first of those conditions we can supply.

Hongkong's Principal Trading Partners

TOTAL VALUES OF IMPORTS & EXPORTS UNDER MAIN GROUPS

FOR THE MONTH OF NOVEMBER, 1946.

UNITED KINGDOM		
Articles	Imports \$	Exports \$
Building Materials	120,718	—
Chemicals & Drugs	365,225	9,375
Chinese Medicines	—	47,290
Dyeing & Tanning Materials	105,973	43,680
Foodstuffs & Provi- sions	97,872	3,052
Hardware	51,630	—
Liquors, Intoxicating	105,189	—
Machinery & Engines	73,101	—
Manures	11,120	—
Metals	292,082	960
Nuts & Seeds	—	3,957
Oils & Fats	18,550	179,687
Paints	37,569	—
Paper & Paperware	16,397	—
Piece Goods & Textiles	861,641	120
Tobacco	331,797	—
Vehicles	387,464	—
Wearing Apparel	89,667	—
Sundries	610,543	549,473
Merchandise Total	3,576,538	837,594
Treasure	—	4,899,800
Grand Total	3,576,538	5,737,394

AUSTRALIA		
Articles	Imports \$	Exports \$
Building Materials	34,712	—
Chemicals & Drugs	153,706	8,520
Chinese Medicines	—	5,904
Dyeing & Tanning Materials	2,058	—
Foodstuffs & Provi- sions	1,080,057	8,501
Hardware	59,922	—
Liquors, Intoxicating	73,625	612
Machinery & Engines	10,853	—
Metals	172,222	380
Nuts & Seeds	—	41,028
Oils & Fats	23,454	—
Paints	1,484	—
Paper & Paperware	38,513	—
Piece Goods & Textiles	1,905,789	220
Vehicles	33,622	—
Wearing Apparel	341,259	—
Sundries	1,272,469	283,801
Total (Merchandise)	5,203,745	348,966

CANADA		
Articles	Imports \$	Exports \$
Chemicals & Drugs	40,941	54,464
Chinese Medicines	15,235	—
Foodstuffs & Provi- sions	243,325	63,446
Hardware	4,000	21,800
Machinery & Engines	4,000	—
Oils & Fats	162,029	—
Paper & Paperware	398,006	—
Piece Goods & Textiles	9,000	—
Tobacco	80,700	—
Vehicles	91,529	—
Wearing Apparel	4,640	—
Sundries	20,712	20,490
Merchandise Total	1,074,117	160,200

CEYLON		
Articles	Imports \$	Exports \$
Chemicals & Drugs	—	57,977
Chinese Medicines	—	5,634
Foodstuffs & Provi- sions	—	72,079
Hardware	—	9,771
Nuts & Seeds	—	4,407
Piece Goods & Textiles	—	57,784
Vehicles	—	1,900
Wearing Apparel	—	1,296,082
Sundries	—	—
Merchandise Total	—	1,505,634

INDIA		
Articles	Imports \$	Exports \$
Chemicals & Drugs	—	89,962
Chinese Medicines	—	497,042
Foodstuffs & Provi- sions	26,800	217,856
Hardware	—	290,910
Machinery & Engines	9,917	—
Metals	330,296	—
Nuts & Seeds	—	17,953
Oils & Fats	—	18,198
Paints	—	1,850
Paper & Paperware	—	2,100
Piece Goods & Textiles	663,985	844,664
Tobacco	240,547	—
Sundries	182,513	1,174,248
Merchandise Total	1,454,058	3,154,783
Treasure	—	15,758,577
Grand Total	1,454,058	18,913,360

MALAYA (BRITISH)		
Articles	Imports \$	Exports \$
Building Materials	302,160	—
Chemicals & Drugs	34,000	60,844
Chinese Medicines	221,800	1,032,419
Dyeing & Tanning Materials	116,481	3,750
Foodstuffs & Provi- sions	889,729	2,928,456
Fuels	30,320	108
Hardware	—	151,456
Liquors, Intoxicating	18,270	492,546
Machinery & Engines	—	70,000
Manures	404,090	33,796
Metals	35,250	90,630
Nuts & Seeds	559,963	29,987
Oils & Fats	5,070	269,367
Paints	72,342	501,338
Paper & Paperware	21,325	311,633
Piece Goods & Textiles	5,382	—
Vehicles	—	286,419
Wearing Apparel	3,037,319	2,724,324
Sundries	—	—
Merchandise Total	5,753,501	8,987,773

BELGIUM		
Articles	Imports \$	Exports \$
Building Materials	13,492	—
Chemicals & Drugs	105,993	—
Chinese Medicines	—	21,336
Manures	5,190	—
Metals	1,430,857	141,289
Oils & Fats	—	18,847
Paints	99,981	—
Paper & Paperware	379,207	—
Sundries	102,434	32,064
Merchandise Total	2,137,154	213,536

CHINA, NORTH		
Articles	Imports \$	Exports \$
Building Materials	10,735	22,921
Chemicals & Drugs	220,480	1,054,509
Chinese Medicines	460,845	160,468
Dyeing & Tanning Materials	—	621,126
Foodstuffs & Provi- sions	1,895,298	960,895
Fuels	—	192,950
Hardware	100,068	97,672
Liquors, Intoxicating	240,796	1,403
Machinery & Engines	9,000	237,842
Metals	11,660	2,257,790
Nuts & Seeds	633,454	5,995
Oils & Fats	414,686	798,039
Paints	4,250	4,330
Paper & Paperware	112,824	90,124
Piece Goods & Textiles	795,681	488,388
Tobacco	6,200	900
Vehicles	9,451	238,890
Wearing Apparel	233,355	10,548
Sundries	1,029,741	1,936,040
Merchandise Total	6,188,524	9,180,830

CHINA, MIDDLE		
Articles	Imports \$	Exports \$
Animals, Live	27,220	—
Building Materials	8,840	27,911
Chemicals & Drugs	331,036	82,902
Chinese Medicines	34,348	58,527
Dyeing & Tanning Materials	—	93,160
Foodstuffs & Provi- sions	1,250,001	1,071,406
Fuels	715	—
Hardware	2,800	9,428
Liquors, Intoxicating	22,000	2,439
Machinery & Engines	—	2,661
Manures	5,040	324,799
Metals	60,970	143,393
Nuts & Seeds	15,087	178,618
Oils & Fats	206,190	5,871,808
Paints	—	74,732
Paper & Paperware	74,180	184,780
Piece Goods & Textiles	160	217,935
Tobacco	—	4,001
Vehicles	—	18,082
Wearing Apparel	15,000	201,087
Sundries	710,646	444,134
Merchandise Total	2,764,233	9,011,803

CHINA, SOUTH		
Articles	Imports \$	Exports \$
Animals, Live	2,607,350	—
Building Materials	675,197	116,092
Chemicals & Drugs	4,750	395,576
Chinese Medicines	1,055,499	173,052
Dyeing & Tanning Materials	40,487	549,657
Foodstuffs & Provi- sions	2,965,706	1,576,789
Fuels	549,166	19,418
Hardware	82,844	102,748
Liquors, Intoxicating	5,800	—
Machinery & Engines	991	29,504
Manures	—	70,306
Metals	1,107,431	1,410,704
Minerals & Ores	75,156	—
Nuts & Seeds	221,843	94,772
Oils & Fats	8,467,437	8,775,842
Paints	14,743	136,284
Paper & Paperware	229,705	1,971,245
Piece Goods & Textiles	830,027	1,021,207
Tobacco	—	24,120
Vehicles	—	454,037
Wearing Apparel	15,074	26,225
Sundries	1,950,310	2,319,056
Merchandise Total	20,899,066	19,266,634

CENTRAL AMERICA		
Articles	Imports \$	Exports \$
Foodstuffs & Provi- sions	—	5,480
Sundries	—	933
Merchandise Total	—	6,413
Treasure	4,602,100	—
Grand Total	4,602,100	6,413

FRANCE		
Articles	Imports \$	Exports \$
Chemicals & Drugs	337,276	—
Foodstuffs & Provi- sions	14,111	—
Liquors, Intoxicating	72,507	—
Metals	224	—
Nuts & Seeds	—	2,440
Oils & Fats	11,693	177,100
Paper & Paperware	223,182	—
Piece Goods & Textiles	44,579	81,000
Sundries	288,863	20,000
Merchandise Total	992,435	280,540

NETHERLANDS EAST INDIES

Articles	Imports	Exports
Chemicals & Drugs ...	\$ —	\$ 6,422
Chinese Medicines	22,530	125,989
Dyeing & Tanning	—	—
Materials	38,187	—
Foodstuffs & Provisions	598,035	49,504
Fuels	27,000	—
Hardware	—	1,700
Liquors, Intoxicating ..	—	964
Metals	15,970	15,108
Nuts & Seeds	—	830
Oils & Fats	6,800	8,200
Paints	—	2,982
Paper & Paperware ...	—	78,664
Piece Goods & Textiles ..	30,000	14,620
Wearing Apparel	—	7,030
Sundries	522,035	241,420
Merchandise Total	1,260,557	553,433

PHILIPPINES

Articles	Imports	Exports
Chemicals & Drugs	\$ —	\$ 163,067
Chinese Medicines	800	30,205
Dyeing & Tanning	—	—
Materials	—	375
Foodstuffs & Provisions	144,010	1,826,940
Hardware	—	343,837
Liquors, Intoxicating ..	—	10,300
Metals	914,190	93,110
Nuts & Seeds	1,800	270,698
Oils & Fats	—	6,816
Paints	—	75
Paper & Paperware ...	—	9,940
Piece Goods & Textiles ..	36,000	20,100
Tobacco	39,276	—
Vehicles	23,171	—
Wearing Apparel	141,700	5,000
Sundries	423,954	780,534
Merchandise Total	1,724,901	3,560,997

SIAM

Articles	Imports	Exports
Building Materials	\$ 542,309	\$ —
Chemicals & Drugs	—	64,546
Chinese Medicines	117,150	225,895
Dyeing & Tanning	—	—
Materials	—	31,175
Foodstuffs & Provisions	612,004	1,014,322
Fuels	780	—
Hardware	—	35,121
Liquors, Intoxicating ..	—	20,000
Manures	90	—
Metals	—	180,048
Nuts & Seeds	336,080	12,906
Oils & Fats	152,171	75,819
Paints	—	123,918
Paper & Paperware ...	—	520,899
Piece Goods & Textiles ..	—	304,816
Wearing Apparel	—	274,168
Sundries	601,871	680,334
Merchandise Total	2,362,455	3,563,987

U.S.A.

Articles	Imports	Exports
Chemicals & Drugs	\$ 586,173	\$ 57,840
Chinese Medicines	425,066	680,183
Dyeing & Tanning	—	—
Materials	150,797	89,040
Foodstuffs & Provisions	138,071	1,605,409
Hardware	74,791	28,737
Liquors, Intoxicating ..	13,617	20,960
Machinery & Engines ..	27,576	—
Metals	325,718	1,324,020
Nuts & Seeds	916,205	255,799
Oils & Fats	27,683	5,462,996
Paints	—	6,179
Paper & Paperware ...	820,388	—
Piece Goods & Textiles ..	210,743	—
Tobacco	1,108,212	12,447
Vehicles	1,057,065	—
Wearing Apparel	201,522	—
Sundries	1,539,401	2,278,817
Merchandise Total	7,632,028	11,822,427
Treasure	210,000	—
Grand Total	7,842,028	11,822,427

SWITZERLAND

Articles	Imports	Exports
Chemicals & Drugs	\$ 136,475	\$ —
Dyeing & Tanning	—	—
Materials	647,917	—
Foodstuffs & Provisions	25,000	—
Machinery & Engines ..	2,025	—
Metals	68,243	—
Piece Goods & Textiles ..	16,800	—
Sundries	431,788	5,114
Merchandise Total	1,328,248	5,114

FRENCH INDO CHINA

Articles	Imports	Exports
Building Materials	\$ 9,000	\$ —
Chemicals & Drugs	70,000	12,165
Chinese Medicines	324,928	251,825
Dyeing & Tanning	—	—
Materials	5,000	1,280
Foodstuffs & Provisions	1,966,594	631,159
Fuels	145,335	—
Hardware	2,480	6,395
Liquors, Intoxicating ..	18,920	—
Manures	3,150	15,840
Metals	22,300	7,324
Nuts & Seeds	130,726	35,402
Oils & Fats	577,202	1,400
Paints	—	173,880
Paper & Paperware ...	—	24,740
Piece Goods & Textiles ..	—	29,815
Tobacco	8,000	17,117
Vehicles	2,800	265,847
Wearing Apparel	610,268	—
Sundries	—	—
Merchandise Total	3,896,703	1,474,169

ITALY

Articles	Imports	Exports
Chemical Medicines	\$ —	\$ 26,065
Nuts & Seeds	—	2,108
Oils & Fats	47,664	1,860
Paper & Paperware ...	754,533	—
Piece Goods & Textiles ..	889,985	—
Sundries	46,302	75,685
Merchandise Total	1,738,484	105,718

KWONG CHOW WAN

Articles	Imports	Exports
Animals, Live	\$ 310,070	\$ —
Chemicals & Drugs	—	4,375
Chinese Medicines	56,898	7,436
Dyeing & Tanning	—	—
Materials	—	10,586
Foodstuffs & Provisions	81,401	9,646
Hardware	—	379
Manures	—	6,000
Metals	—	4,346
Oils & Fats	—	609,594
Paper & Paperware ...	—	23,372
Wearing Apparel	—	1,713
Sundries	121,384	29,487
Merchandise Total	569,553	706,934

MACAO

Articles	Imports	Exports
Animals, Live	\$ 17,800	\$ —
Building Materials	22,197	4,370
Chemicals & Drugs	25,130	93,059
Chinese Medicines	132,327	18,053
Dyeing & Tanning	—	—
Materials	4,850	9,816
Foodstuffs & Provisions	2,472,064	865,595
Fuels	25,796	7,832
Hardware	520	180,300
Liquors, Intoxicating ..	641,764	7,560
Machinery & Engines ..	—	17,905
Manures	174,903	61,753
Metals	4,236	104,012
Nuts & Seeds	46,779	134,363
Oils & Fats	8,905	13,205
Paints	11,298	138,347
Paper & Paperware ...	1,282,475	216,591
Piece Goods & Textiles ..	21,025	629,467
Tobacco	4,840	32,187
Vehicles	76,286	101,825
Wearing Apparel	1,583,478	476,366
Sundries	—	—
Merchandise Total	6,556,473	3,112,606

China's Silk Industry

The silk industry in China staged a remarkable recovery from damages incurred by the war.

In the Yanktze Valley area raw-silk production during 1946 may reach a total of from 20,000 to 30,000 piculs (of 133.1/3 pounds), 15,000 piculs of which will probably be available for export. Good progress has also been made in the Szechwan area, where capital and labor formerly employed in wartime activities have been utilized. Kwantung's silk industry has recovered remarkably and expects raw-silk production to total from 20,000 to 25,000 piculs, 50 per cent of which will be used for domestic consumption and the remainder exported.

The Central Trust of China, a subsidiary of the Ministry of Finance, has been instructed to purchase the entire silk crop. Loans to farmers for reviving mulberry orchards and to nurseries for breeding disease-free eggs are also reported.

Three million grams of eggs imported from Japan, through the efforts of SCAP, proved very helpful in reviving the silk industry. The Chinese have also endeavored to obtain large quantities of cocoons from Japan.

Business License Tax for the Municipality of Shanghai

Certain types of businesses which operate in Shanghai are required to apply for and receive a Business License tax certificate, which must be prominently displayed on the business premises. Commencement or continuation of business operations is permitted only after the tax has been paid and the license has been issued.

This requirement was promulgated into law on January 1, 1946, but it appears that the collection of the tax began in April of this year.

According to the Detailed Rules Governing the Collection of the Business License Tax for the Municipality of Shanghai, only certain specified types of businesses are affected. Included are types in which American firms have been engaged for many years.

The kinds of businesses with the purview of the law are as follows: 1. Jewelry trade. 2. Gold and silver ornaments trade. 3. Curio dealers (including ivory trade). 4. Cosmetics trade. 5. Foreign-apparel dealers. 6. Skin, hide, and leather-goods dealers. 7. Automobile dealers (including accessories, tires, motorcars, etc.). 8. Foreign-style and black-wood furniture dealers (including carpets and decorating marbles). 9. Photo studios (including photo supplies). 10. Toy and musical-instruments dealers (including radio sets and supplies). 11. Hotels. 12. Restaurants (including cooked-rice shops and refreshment stores). 13. Teahouses (including tea rooms and cafes). 14. Barber shops and bath houses (including beauty parlors). 15. Dealers in sea-food and food products found in mountainous regions. 16. Jinseng, deer-horns, birds-nests, white-fungi, dried-longans dealers. 17. Wine and tobacco dealers. 18. Amusement houses, including all amusement places operated on a business basis. 19. Dealers in articles of supernatural symbolism. 20. Dealers in articles for ceremonial use and in firecrackers (including stores selling presents). 21. Confectionery and fruit shops. 22. Cold-drinks dealers (including ice and ice cream). 23. Canned-foods dealers. 24. Dealers in animal products (including dairies, hams, sausages, lard, etc.). 25. "Butcheries" (including individual butchers, slaughterhouses, and meat installation). 26. Dealers in native dried food products. 27. Godowns and warehouses. 28. Transportation agencies. 29. Brokers. 30. Money-exchange shops. 31. Pawn shops. 32. Auctioneers (including second-hand-goods shops). 33. Dealers in metalware, waterworks, and electrical supplies.

The basic rate under this tax is 5 per mille (e.g. \$5 per \$1,000) of the capital of the business. "Capital" is defined to mean the "present capital" of the business, which in turn is interpreted to mean the present value or a fair evaluation of the assets of the business, regardless of the amount of authorized or paid-up capital. This is arrived at by the tax authorities on the basis of (a) "the size of the company," and (b) "the volume of business."

However, in cases where the present value of the capital cannot be ascertained, or is "difficult to determine," the tax will be levied at the rate of 2.5 per mille on the total receipts from the business of the preceding year.

If the receipts of the business are in the form of commissions, payment of the tax is at the rate of 6 percent of the annual total amount of commissions received.

In the case of a China branch of a foreign company, it may set an arbitrary sum as its capital, and the tax will be computed accordingly, provided the Tax Bureau is satisfied that such sum represents a fair estimate, commensurate with the size of the branch and its volume of business.

The Bureau of Finance of the Municipal Government of Shanghai has charge of this tax. Prior to the commencement of business operations—and annually at the beginning of each calendar year—it is required that there be filled out a form of declaration, which form is filed with that Bureau. Thereupon the tax is assessed and business may be started only after payment of the tax.

The Business License states the following particulars:

Kind of business;

Name and location;

Full name of person who operates the business;

Amount of business capital;

Total amount of receipts from business during preceding year;

Amount of tax to be paid;

Period of validity of License.

The License is not transferable, and if a business is closed the License must be surrendered. When an established business is taken over by new owners a new License must be applied for.

It should be carefully noted that the requirement of a Business License in Shanghai is in addition to the requirements with regard to the registration of companies under the Company Law; and the payment of the Business License tax—which is a municipal tax—is in addition to the payment of the Business Tax, which is a national tax payable to the Direct Tax Bureau of the Ministry of Finance.

THE NEW ASIATIC CHEMICAL WORKS (HONGKONG) LTD.,

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that an Extraordinary General Meeting of The New Asiatic Chemical Works, Ltd., will be held at the Mezz., Exchange Buildings, Hongkong, on the 16th day of January 1947, at 3 o'clock in the afternoon when the subjoined Resolutions will be proposed as Special Resolutions:—

1. "That Article 75 of the Company's Articles of Association be deleted and the following Article substituted therefor 'The Board of Directors shall appoint one or more than one of its Members to be the Managing Director of the Company upon such terms and for such period as the Board may from time to time determine.'"
2. "That the following words be added at the end of Article 112 'or by advertisement in one English and one Chinese newspaper circulating in the Colony of Hongkong.'"

NOTICE is hereby given that the Ordinary Yearly Meeting of this Company will be held at the Mezz., Exchange Buildings, Hongkong, on the 16th day of January 1947, at 3.30 p.m. for the purpose of receiving the Report of the Directors together with the Statement of accounts for the period from 1st January 1946 to 31st December 1946, and to elect Directors and appoint Auditors.

Dated the 22nd day of December, 1946.

By Order of the Board.

China Light & Power Co., Ltd.

At the annual meeting of shareholders Mr. Albert Raymond, the Chairman, reported on the extent of material damage to the power station and property of the Company during the war years.

A survey of the machinery revealed that the latest 1,250 KW Metropolitan-Vickers high-pressure turbine had been badly damaged by the demolition squad prior to the Japanese taking over the station in 1941. It is expected that this turbine will again be in operation by April.

In the old power station two turbines were in a deplorable state, due to lack of maintenance. Two were in fair order, apparently because they had not been operated by the Japanese. They were soon restored to their former condition. Another two had been completely removed to the Kowloon godowns. These have since been recovered and reassembled, though they are not in operation.

In anticipation of the then growing needs of the mainland, the Board had placed an order with Metropolitan-Vickers in 1940 for a 20,000 KW set. This was nearing completion in England, but on the capitulation and in the interests of the war effort, the contract had to be considered frustrated. The set was eventually diverted to Russia.

A New Set

When the Hongkong Planning Unit was established in London a few months prior to the ending of hostilities, an order was placed for a duplicate of this set. It is hoped to receive this plant within the next few months and have it erected ready for operation by the first quarter of 1948.

The boiler plant was also found to have been badly neglected. Four of the main boilers had been operated on water containing a heavy percentage of salt and had also been very badly handled. In 1940 the Company ordered a new 200,000-lb. capacity boiler from International Combustion Ltd. Of the parts of this boiler which had arrived in the Colony, some had been removed by the Japanese and others were so badly neglected that they had deteriorated considerably. The company has ordered necessary parts to complete this boiler unit, which should be in operation early in 1948.

Fire pumps and other parts of machinery were so badly used as to render them practically useless.

The control room, which was the pride of the generating station had, under Japanese rule, become a wash house and kitchen.

The extra high tension switchgear did not suffer any damage, although the CO₂ fire-fighting apparatus was completely out of action and rendered useless by bomb blast.

The low tension switchgear was damaged by bomb blast, but has since been repaired.

The coal handling plant was badly mishandled, but is now again in working order.

Looting, Pilferage

On the distributing side, the looting and damage was on a very large scale, involving mains, street lighting and transmission lines. Efforts were concentrated on restoring supply to all areas in Kowloon and the New Territories as soon as possible. In many cases repairs and replacements had to be of a temporary nature, pending arrival of material from England. Several thousand yards of mains have been replaced, approximately 20,000 services and meter boards installed and over 750 street lights restored.

It will be many months before the permanent mains and operating equipment are completely replaced.

A great deal of pilferage is going on to this day. Since the reoccupation, 33 miles of the copper lines have been removed in the New Territories. In addition, there has been heavy loss of hired apparatus such as cookers, kettles, wash boilers, etc.

Destructions

As regards the buildings, the main generating station suffered damage from three bombs which passed through a skylight and burst inside the building. Two bombs dropped on the old station, but did not explode. The buildings at the generating station will require heavy expenditure to place them in the same condition as in 1941.

The workshop and stores were completely gutted by fire during the hostilities and will have to be rebuilt.

The Kau Pui Shek sub-station was demolished by the Japanese to make way for a new runway at Kai Tak.

Accounts of the Company

The accounts have been constructed with the utmost difficulty as a great number of important books and documents have been lost.

Net profit for the three months ended December 31, 1941, has been added to the balance of the profit as at September 30, 1941, making a total of \$1,534,676. This is carried forward to the latest profit and loss appropriation account dated August 31, 1945.

This final section of the Accounts—from January 1, 1942 to August 31, 1945, covers the war period. Results in connection with the War period fall under two main heads.

Charges applicable to the period from January 1, 1942, to August 31, 1945, amounting to \$2,956,638 include a provision for depreciation to the extent of \$2,409,254 in respect of that period. The other charges consist mainly of provision for Staff compensation and gratuities, amounting to \$547,383.

The total of the charges account, has been transferred to profit and loss account and leaves a net loss of \$1,421,961 to be carried to the balance sheet.

Heavy War Losses

The total losses attributable to the war amount to \$5,400,080 of which the loss of fuel and stores accounts for \$1,730,347. The remainder of this account represents the loss of, and damage to, fixed assets.

The contributory causes of the damage were bombing and shelling during the period of hostilities, pilferage, looting and the failure on the part of the Japanese to maintain the plant. In addition, certain items of the plant were totally removed by the Japanese.

A claim representing the full extent of the Company's war losses is being prepared for submission to Government.

It is proposed that the next accounts, now in course of preparation, will cover 13 months, from September 1, 1945 to September 30, 1946. These accounts will be presented early next year.

Given normal working conditions, and, in particular, absence of political perturbations, there is every reason to believe that the Company will proceed from strength to strength and not only reach its pre-war state, but surpass it.

A trans-harbour cable was recently laid connecting China Light with Hongkong Electric. This co-operation between the two electricity concerns will be of benefit to all concerned. The actual laying of the cable was completed without a hitch, in 58½ minutes, from start to finish.

A grave disability under which the Company is labouring to-day is that the high pressure plant has been rendered inoperative owing to demolition in December 1941.

Until this handicap is overcome, the Company must generate current with old low-pressure plant. This means a material increase in the cost of production.

Losses by Theft

Another serious source of loss is that arising from thefts of material and current. Owing to the extensive area covered by operations, it is extremely difficult to prevent constant and continuous thefts of overhead wires, standards, lamps, and other component parts of equipment.

Increase of Capital

At an extraordinary general meeting which took place immediately after the ordinary yearly meeting, it was confirmed that the authorised capital of the company be increased to \$25,000,000 by the creation of 2,000,000 new shares of the nominal value of \$5 each, to be issued in a manner subject to the discretion of the Directors.

Indo-China Steam Navigation Co., Ltd.

At the annual meeting of shareholders of the Company on December 20, Mr. F. A. Pollock, the Chairman, reviewed the past and present position of the Company, addressing the gathering as follows:

(A summary review of the Company's financial position was published in our Dec. 18 issue, page 12).

So much has happened since 1941 profoundly affecting the lives and affairs of us all, and particularly this Company, that it is difficult to condense the complete story into the accepted limits of a Company Chairman's speech but I am most anxious that you should have as comprehensive a review as possible of all that has been done during these difficult years to protect and foster the Company's interests and, on the cessation of hostilities, to resume the normal course of its operations.

Both your Directors and the General Managers fully appreciate how anxiously you have awaited these accounts and the calling of this meeting. In apologising for the delay in their presentation, I would like to explain that with the occupation of Hongkong by the Japanese in December, 1941, the Head Office of the Company ceased to exist. A temporary management organisation was created in India, and contact with the Ministry of War Transport was maintained by the Company's London Attorneys, with the aid of a Consulting Committee, but the absence of records and the consequent inability to account for the operations of the fleet in the second half of 1941 made it impossible to issue the normal final accounts throughout the War, though statements were submitted in 1943 and 1945 by our London Attorneys. These were based on such information as was available at that time.

Hongkong was liberated in the early autumn of 1945, and for the first eight months was under a Military Administration. Most of the General Manager's staff had either been in captivity, were still in the Forces, or in some essential Government service and only very few were immediately available. In spite of these difficulties, the work of reconstructing the Company's financial position was commenced as soon as they could obtain access to such records as could be traced but, unfortunately, important data dealing with the business of the later months of 1941 was missing. The Accountants have accomplished a mammoth task in bringing us up to date and producing a clear statement of the position.

These are the reasons for the delay, and I give this explanation with a certain justifiable pride in the service and ability of a loyal staff who have had to work overtime and under great difficulties to accomplish their task.

War Losses

The rapid sequence of events following Pearl Harbour dealt the Indo-China Fleet a cruel blow. The new m.v. Hinsang, the ss Mingsang, Fausang and Yatshing were scuttled in Hongkong Harbour in accordance with Naval instructions, also the tugs Hanwo and Shunwo. Our River Ships Kungwo, Liwo, Fuhwo, Tungwo, Suiwo, and Siangwo were lost on Naval service in the operations in Malaya. The ss Chaksang, and Taksang were sunk in the Bay of

Bengal, the Hosang and the Taisang were sunk just south of Singapore. The ss Yusang was lost by bombing in Manila. Later in the war the ss Suisang was destroyed by fire in Abadan and the ss Kumsang torpedoed in the Atlantic. These were heavy sacrifices, but we may well be proud of the Indo-China's contribution to the cause of victory; the losses of these ships and those which escaped are not without their stories of courage and endurance but unfortunately some of these will never be told. A certain amount of information has, however, reached us from those who served in these ships and have survived to tell us of their doings, but these men are all too modest and while it is our intention to give their experiences a permanent record which you can all read, some delay must elapse before this information is collated.

Our ships have served in many theatres, some as far West as the Mediterranean on such hazardous service as the carriage of petrol and the maintenance of our Forces in the Western Desert. The ss Wingsang was the first merchant ship into Rangoon after its liberation. The ss Pingwo, one of the Yangtze River ships was successful in evacuating a large number of people from Singapore and succeeded in reaching Australia, not only under her own power but with a disabled Australian destroyer, the Vendetta, in tow—an outstanding example of endurance and seamanship. But of all our war stories that of the ss Liwo deserves the most honoured place.

S.S. Liwo

The ss Liwo was an Upper Yangtze ship, completed in Hongkong in 1933, but the China/Japan "incident" prevented our employing her in the waters for which she was so specially designed. She was a very small ship—only 170 feet in length—and constructed to very light scantlings. In due course she was requisitioned for Naval service, armed with a 4-inch gun and despatched for duty in Malayan waters under the command of Lieut Wilkinson, RNR, one of the Company's masters, and manned almost entirely by our own officers. In the course of the evacuation of Singapore she encountered a Japanese-escorted convoy and, against overwhelming odds, Lieut Wilkinson decided to press home an attack. In spite of being seriously damaged by the enemy's fire she met her end by ramming and sinking one of the enemy transports. Lieut Wilkinson, who has just been awarded a posthumous Victoria Cross, and many others were lost in the action. The tale of her survivors, under Sub. Lieut Stanton, another of the Company's Officers, who spent many days in the jungles of the island of Banka in an endeavour to escape but, through treachery, fell into enemy hands, is an epic of human fortitude. If there be any Valhalla for little ships I am sure the Liwo has found a quiet anchorage.

In all these losses and the ordinary hazards of war no less than thirty-three officers of the Company and many Chinese ratings, and two members of the General Managers Shipping Staff made the supreme sacrifice, and I am sure you will wish me to express our deepest sympathy to their relatives. A Roll of Honour has been distributed with the annual report and both the Board and the General Managers much regret that owing to the loss of records it is impossible to record the Chinese ratings by name. Many others suffered the hardships and anxieties of captivity but it is heartening to see so many of them with us again and restored to Health.

Operations Since 1941

As you are probably already aware all the ships left in our hands were under requisition to the Ministry of War Transport for various forms of war service, and the Company's income was, therefore, restricted to the Ministry charter hire, which was at lower rates than the special terms which had been agreed with the Ministry for operation on the China Coast.

When not on the Sea Transport Service our ships, were, in nearly every case, as we were away from our Home waters, "self-consigned" to established lines in accordance with the practice accepted throughout the war. We were not, therefore, in operative control of their employment.

The rates of hire paid by the Government have been commented upon by many shipowners, and it is unnecessary for me to elaborate upon them except to say that at the beginning of the war we were in the process of modernising our fleet, and the outbreak of hostilities found us still with several old ships on our hands. It was the fortune of war that many of our new ships were lost and the older vessels, which were nearing or had passed the end of their economic life, survived, and naturally were very costly to maintain in repair, particularly under the inflated wartime costs in India and elsewhere. The Government rates of hire were of course, based on ships of a much younger average age and they did not take fully into account the high cost to owners of maintaining an old ship in the interests of the war effort. I feel, however, that thanks to the active way in which our London Attorneys have watched our interests and pressed our claims that we have had, on the whole, a fair deal under a requisitioning scheme which was basically sound and a credit to its originators in both the Government and the industry.

Present Position

A well-known and much respected figure in the British shipping industry recently commented that the problem which confronts the British shipowner to-day is to "differentiate between the momentary and the permanent." In examining the "momentary" position, I would ask you to bear in mind that the operations of this Company before the war fell into two distinct categories—the China Coast and the Yangtze River services which were correlated and our blue water or ocean-going lines between China, Japan to India and the Southern waters which may be called the external trades.

Throughout this Company's history—and it is a long history extending over nearly seventy years with traditions which go back further still—we have fulfilled an important function in China's internal and coastal transport system, maintaining services in bad times as well as good and upon which the commercial and travelling public came to depend as part of the economic structure of this great country.

Under a Treaty concluded between the British and Chinese Governments in Chungking in 1943, the British Government relinquished extra-territoriality and, inter alia, any special rights we had as regards navigation on the rivers and coast of China. To-day we are unable to operate on the Yangtze River or between China Coast Ports.

In 1944, the Ministry of War Transport gave us the opportunity to build two 3,000-ton Coasters suitable for Far Eastern trading, subject to their conforming to specifications laid down by the Admiralty, it being intended that these ships should be used initially for Military maintenance in Far East waters. They were modelled on our late Taksang, with certain variations required by the Admiralty. The two ships which we thus obtained, the Loksang and the new Taksang, were not delivered until early this year and so went straight into commercial service. I am pleased to report that they have so far proved to be most successful units and the fact that they are oil burners is a definite advantage under present conditions.

New Ships

We also purchased two ships under the first Government Disposal Scheme, the Empire Perlis and the Empire Malta, since re-named Hinsang and Hangsang respectively. They are useful cargo carriers of about 4,000 tons deadweight and the Hinsang has now been adapted for employment as a timber carrier on our Hongkong/Borneo Line. These two ships are also economical oil burners and are very suitable for Far Eastern chartering business which has always been part of the Company's operations.

We have taken advantage of the present good sales market to dispose, at very satisfactory prices, of three of our older coasters which were becoming uneconomical to operate away from the China Coast.

These sale and purchase transactions have, without taking into account the surviving ships of the River Fleet reduced the age of the "blue water" fleet now consisting of 11 ships totalling 37,800 tons gross to an average age of just under 13 years. This is undoubtedly a very satisfactory improvement.

We are taking steps to realise to the best advantage on our remaining Yangtze River ships and other river assets which by the new Chinese restrictions we are no longer able to operate under the British flag. Unfortunately, and in spite of assurances given last year by the Chinese Government, we continue to experience difficulty in regaining possession of some of our small craft which were still afloat at the time of the Japanese surrender. However, our Shanghai friends, with the assistance of our Consular Authorities, are continuing to press our claims for the return of these craft and it is to be hoped that they will all be returned to us before the end of the present year.

Management Agreement

As you may know the Management Agreement with the General Managers has been in force since 1882 and various supplementary conditions have been made from time to time. Before the Eastern War, it was considered this Agreement was becoming unwieldy and out of date in view of the many changes which had become necessary. At the invitation of your Directors, Mr. John Fleming, the Company's Auditor, prepared a report to be used as a basis for the negotiation of a new Agreement. Mr. Fleming has now submitted a supplementary report in the light of the circumstances resulting from the war and the new agreement prepared by Company's legal advisers in consultation with the General Managers solicitors has now been concluded. This will, I feel sure, be more satisfactory for both parties.

We are most grateful to the London attorneys, Messrs. Matheson & Co., Ltd., who suddenly found themselves with many unusual shipping problems to solve. They rose to the occasion admirably and were fortunate to have the assistance of Mr. E. F. Aucott, a former Shipping Manager who came out of retirement to contribute his long experience. Mr. Aucott has just retired for a second time.

I feel I must make reference to Mr. J. J. Paterson, your Chairman for many years and to whom the Company is greatly indebted. He played an active part in the defence of the Colony and was a Prisoner-of-War. I am glad to say he has recovered from the hardships he has suffered and is enjoying a well-earned holiday in Canada.

The Floating Staff

The British Merchant Service has received many tributes of respect and appreciation for their great service during the war. No one can dispute the fact that in our darkest days, and in the preparation of our major operations, their activities were of paramount importance. They never failed although they were subject to incessant attacks from the enemy. Our own ships, and those officers and men who manned them, played their part, and I am sure you will wish me to say that we are proud of them. Since the war ended in the Pacific we have had many difficulties to overcome and conditions have not been easy. Lack of accommodation and many inconveniences have made life difficult. We are doing our utmost to meet these difficulties. It is the Company's desire that after six years of war normal conditions for all the staff should be resumed as soon as possible and the General Managers are doing their utmost to bring this about.

The form of the Accounts presented to-day may not conform to the accepted principles of modern accountancy in so far as the proposed appropriations are not embodied in the balance sheet. As information of the proposed appropriations had to be cabled to London after the draft accounts had already been forwarded by mail, it was felt that incorporation of these figures might cause some confusion between Hongkong and London and to avoid any possibility of this it was decided, on this occasion, to submit accounts which do not incorporate proposed appropriations.

Accounts of Company

I now turn to the Accounts for 1941, covering our last year of operation on the China Coast with our complete coastal fleet, which was at that time under requisition at special rates of hire. The nett balance of Steamers Working Account is shown in the Profit & Loss Account as £281,054.0.4d. after adding interest and sundry items and providing £68,429.19.4d. for depreciation and £17,927.8.0d. for other known liabilities there remained a balance of £202,846.4.3d. to be carried forward to the Appropriation Account for 1941. Adding the credit balance of £17,559.13.1d. brought forward from the 1940 account, we have a balance of £220,405.17.4d. to be carried forward to the 1945 Appropriation Account. The nett balance of Steamers Working Accounts for the four years ended December 31, 1945, amounted to £79,959.8.1d. This comparatively low figure is due to the much reduced earning power of the fleet, as the result of war losses, and to the reduced rates of hire we received from the Ministry when the ships were being operated under requisition away from the China Coast. Indeed,

had it not been for income from interest on investments amounting to £147,772.16.11d. we should have been unable to meet our depreciation of £99,770.0.0. for this period but it should be remembered that due to the misfortunes of war we were operating under very difficult circumstances away from our home territory. After providing for other known charges amounting to £57,446 the profit for this period amounted to £71,079.15.0d. which when added to the balance brought forward from the 1941 account, gives us a sum of £291,485.12.4d. available for appropriation.

You will note that in the 1945 balance sheet the value of the fleet is reduced to £258,477, excluding payments made on the new Taksang and Loksang which were not delivered until 1946. Investments have increased from £212,160.9.4d. in 1941 to £1,560,070.19.6d. in 1945. General Reserve remains at £400,000. Ships Replacement Reserve is increased from £148,585 in 1941 to £635,895.19.11d. in 1945. To this account has been credited the compensation received from the British Government against war losses and any profit over book values on ships sold.

Annual Repairs Charge

Special Repairs Reserve has increased to £179,892.17.10. It is the practice of the Company to debit each ship with an annual charge to provide for maintenance repairs. During the period under review, owing to war requirements, it was impossible to carry out the normal annual overhauls so that the ships' contributions have increased the reserve, but this is required to enable us to restore the Fleet to normal peace time standards.

After deducting £11,862.0.7d. in respect of war losses of craft and stores, for which we have received no compensation but may possibly have a claim under reparations from £291,485.12.4d. in the 1945 Appropriation Account, we have a balance of £279,623.11.9d. and I now propose that the balance available for appropriation should be allocated as follows:—

To pay a Dividend of 6% for the years 1932/45 (inclusive) on 49,589 Cumulative Preferred Ordinary Shares	£208,273.16.0d.
To pay a Dividend of 5% on 49,589 Deferred Ordinary Shares	12,397. 5.0d.
To Transfer to General Reserve	40,000. 0.0d.
To carry forward unappropriated	18,952.10.9d.

The Dividend on the Shares on the Hongkong Register to be paid at the rate of 1s. 2.27/32d. per dollar.

THE HONG KONG, CANTON & MACAO STEAMBOAT COMPANY, LIMITED.

NOTICE is hereby given that the One Hundred and Twenty-second Ordinary General Meeting of Shareholders in this Company will be held at the Company's Offices, Queen's Building, on Tuesday, 31st December, 1946, at noon for the purpose of confirming the appointment of the Board of Directors and receiving their Report together with Statements of Accounts for the year ended 31st December, 1941, and for the period 1st January, 1942 to 31st December, 1946.

By Order of the Board of Directors,
H. DA LUZ,
Secretary.

Hongkong, 12th December, 1946.

HONGKONG'S SHIPPING

Returns for November

The month of November shipping returns show some decline against the preceding month which was partly due to the West Coast Shipping Strike in the U.S. American ships were conspicuous by their absence, only 3 ships calling at Hongkong. Chinese ships recorded also some decline. Norwegian and Swedish ships called here in increasing numbers and this trend is expected to continue. Only two Soviet ships entered the harbour and when they left they did not load any cargo for USSR.

Shipping entered and cleared during November: 799,698 tons for ocean steamers, and 120,644 for river steamers; total 920,342 tons. Total of passengers entered and cleared: 74,010.

ARRIVALS FOR NOVEMBER, 1946.

FLAG	Ocean No.	Steamers Tonnage	River No.	Steamers Tonnage	TOTAL No.	Tonnage	Cargo River Steamers	Passengers River Steamers	Passengers Ocean Steamers	Passengers TOTAL
British	79	215,070	68	56,060	147	271,130	4,756	16,321	11,390	27,711
American	3	16,633	—	—	3	16,633	—	—	9	9
Canadian	1	4,294	—	—	1	4,294	—	—	1	1
Chinese	32	35,836	21	4,098	53	39,934	1,331	1,400	5,250	6,650
Danish	2	9,560	—	—	2	9,560	—	—	22	22
Dutch	10	46,538	—	—	10	46,538	—	—	9,472	9,472
French	2	9,028	—	—	2	9,028	—	—	758	758
Norwegian	21	31,883	—	—	21	31,883	—	—	1,424	1,424
Panamanian	9	11,580	—	—	9	11,580	—	—	21	21
U.S.S.R.	2	3,629	—	—	2	3,629	—	—	—	—
Swedish	3	10,386	—	—	3	10,386	—	—	16	16
Philippine	3	3,699	—	—	3	3,699	—	—	750	750
Total Foreign	88	183,066	21	4,098	109	187,164	1,331	1,400	17,723	19,123
Total	167	398,136	89	60,158	256	458,294	6,087	17,721	29,113	46,834

DEPARTURES FOR NOVEMBER, 1946.

FLAG	Ocean No.	Steamers Tonnage	River No.	Steamers Tonnage	TOTAL No.	Tonnage	Cargo River Steamers	Passengers River Steamers	Passengers Ocean Steamers	Passengers TOTAL
British	87	221,736	68	56,388	155	278,124	6,292	1,973	9,734	11,707
American	3	16,633	—	—	3	16,633	—	—	25	25
Canadian	1	4,294	—	—	1	4,294	—	—	3	3
Chinese	34	38,055	21	4,098	55	42,153	1,395	238	5,245	5,483
Danish	3	14,660	—	—	3	14,660	—	—	32	32
Dutch	11	48,325	—	—	11	48,325	—	—	8,458	8,458
French	2	9,028	—	—	2	9,028	—	—	180	180
Norwegian	19	27,245	—	—	19	27,245	—	—	1,251	1,251
Panamanian	6	8,017	—	—	6	8,017	—	—	24	24
U.S.S.R.	2	3,629	—	—	2	3,629	—	—	—	—
Swedish	2	7,960	—	—	2	7,960	—	—	8	8
Philippine	2	1,980	—	—	2	1,980	—	—	5	5
Total Foreign	85	179,826	21	4,098	106	183,924	1,395	238	15,231	15,469
Total	172	401,562	89	60,486	261	462,048	7,687	2,211	24,965	27,176

Hongkong Stocks & Shares

Quotations in HK\$

December 16, 1941		December 21: Buyers	Sellers	Business done during the week	December 16, 1941		December 21: Buyers	Sellers	Business done during the week
104½	H.K. Govt. Loan—4½	106	108	107/108	18	H.K. Tramways	27½	28	28/27½
	—do— 3½	102	—		22½	H.K. Electric	30	—	30/30½
1,445	H.K. Banks	1,340	1,350	1,345	18½	Macao Electric	—	18	—
450	Union Insurances	630	640	635	6.90	China Lights (Old)	9	9½	9/9½
250	Canton Insurances ...	330	350	340	3.60	China Lights (New)	5½	—	—
200	H.K. Fire Insurances ..	240	250	245	25½	H.K. Telephones (Old)	30½	—	30½
0.50	China Underwriters .	—	—			H.K. Telephones (New)	18	—	—
103	Wharves	125	—	135/125	9½	Green Island Cements	11½	—	11½/12
19.40	Docks	—	16	—	11½	H.K. Ropes	—	9	—
7.80	China Providents	11½	12	11½	19	Dairy Farms	30	—	30/30½
120	Douglas Steamships ..	200	—	—	14½	A. S. Watsons	20	—	20/20½
11	H.K., C. & M. Steam- boats	12	—	—	2.40	Lane Crawford	19½	20½	—
55	"Star" Ferries	—	65	65	—	Wm. Powells	—	3	—
23½	Yaumati Ferries	—	22½	—	—	China Emporiums	4.30	4.40	—
4½	Hongkong Hotels	15½	15½	15/15½	—	The Sun (H.K.) Ltd.	—	2.50	—
38.15	H.K. Lands	—	74	76/72½	—	Sincere Co., Ltd.	—	5.80	—
8½	Humphreys Estates ..	17	—	—	3.70				
4.30	H.K. Realty & Trusts ..	14½	—	14½					

Hongkong Foreign Exchange Rates

Selling Rates for HK\$

December 23, 1946

Hongkong Exchange Shops

Selling Prices in HK\$

Shanghai Exchange Shops

Selling Prices in CN\$

T/T	London	December	Gold per tael	US\$	CN\$	£	December	Gold per ounce	US\$	HK\$	£
"	Shanghai	1/2.27/32 nominal	—	—	—	—	16	313,000	5,900	1,350	21,000
"	Singapore	52½	304	4.75	1,155	15.50	17	340,000	6,600	1,500	22,000
"	India	82½	308½	4.75	1,180	15.45	18	337,000	6,400	1,400	22,000
"	Canada	24½	311½	4.80	1,200	15.45	19	340,000	6,600	1,450	22,000
"	Australia	1/5½	311	4.82	1,210	15.35	20	361,000	6,800	1,450	22,000
"	New York	24½	311	4.82	1,210	15.35	20	361,000	6,800	1,450	22,000
"	Manila	50.1/16	308	4.85	1,210	15.40	21	367,000	7,200	1,500	23,000
"	Bangkok	243	—	—	—	—	—	—	—	—	—
"	France	2970	—	—	—	—	—	—	—	—	—
"	Switzerland	107	—	—	—	—	—	—	—	—	—
U.S. cross rate on London 4.02½, 4.03½			320	4.85	1,210	15.50	21	367,000	7,200	1,500	23,000

